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ABSTRACT

This report consists of 19 conference papers, most of which focus on the current problems, issues, and trends in educational finance; while several deal with cost effectiveness and levels of productivity. Since the concept of productivity focuses on outputs, other papers are concerned with the output-oriented concepts of accountability and performance contracting. Other topics covered include : (1) federal categorical aid and revenue sharing, (2) school budgeting, (3) the use of PPBS, (4) the role of the courts in assuring equal educational opportunity, (5) reforms of State and local tax systems, and (6) New Brunswick's (Canada) 100 percent provincial support system. (JF)

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Productivity in Education: Measuring and Financing

CEF

NEA Committee on Educational Finance

Proceedings of the 14th National Conference on School Finance

March 28, 29, and 30, 1971

Sheraton-Schroeder Hotel

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Foreword

THE NATIONAL CONFERENCE ON SCHOOL FINANCE is sponsored by the Committee on Educational Finance of the National Education Association to provide a medium of open discussion on the problems, current issues, and trends in school finance. As education continues to absorb a larger share of our Gross National Product, it is not surprising that the public schools should be under public scrutiny in terms of cost effectiveness and levels of productivity. Therefore, the 1971 Conference focused on the theme, *Productivity in Education: Measuring and Financing.*

The diverse ideas expressed in the papers presented at the Fourteenth Annual Conference are unique to the authors and do not necessarily reflect the viewpoint or policy of the Committee or the National Education Association. However, it is our hope that the reader will gain a better perspective of the broad issues entailed in the decision-making process of productivity and the funding of public education as expressed in these Proceedings.

The Committee is indebted to the staff of the NEA Research Division who shared the responsibility for the organization of the Conference and the preparation of the Proceedings: Jean M. Flanigan, Assistant Director and NEA Staff Contact for the Committee; Arthuryne J. Taylor, Staff Associate; Gaye B. Becker, Conference Coordinator; Beatrice C. Lee, Publications Editor; Valdeane Rice, Administrative Assistant; Ann Rossilli, Secretary; and Barbara B. Sweeney, Chief of the Graphics Section. Appreciation is also extended to Howard J. Carroll of the NEA Division of Press, Radio, and Television Relations.

Wilbert V. Bolliger, *Chairman*
NEA Committee on Educational Finance

Greetings from the National Education Association

David E. Schulz
Member, Executive Committee

IT IS WITH EXTREME PLEASURE that I, on behalf of our NEA President Helen Bain, welcome you to this 14th National Conference on School Finance. The educators of Wisconsin also welcome you to our great state and the great city of Milwaukee, the beer capital of the world, with its tremendous hospitality. Enjoy yourselves while you are here.

Indeed, we want to have fun, but we are here to talk about and listen to the subject of MONEY—how to get it and how to use it. To use it is the easiest part; to get it is the rough part. And it is rough, in the main, because the present Administration is trying in every way possible to prevent the federal government from paying its fair share to educate the children of our country. It thus is putting more pressure on the state and local governments where there is enough already.

Now the President wants to bury education even more with his proposed reorganization plan. This is why one of the top priorities of the NEA is to get a cabinet level post for education. We ask your support as we need the ground swell to come from people who have education as a top priority for themselves and for the children we educate.

Another way we can help ourselves get more money is by working cooperatively with other organizations with similar interests. I am pleased to announce, therefore, that the NEA and the American Federation of State, County, and Municipal Employees this past week have formed a Coalition of Public Employee Organizations. This will enable our organizations to work together on items of common concern, at all levels, but to remain independent when there cannot be agreement.

But, we are here to listen, to talk, and, we hope, to learn. It will be a great conference, and as we have heard many times—let's get on with the show.

Productivity in Education: Measuring and Financing

Thomas P. Lantos

MY TASK IS to put the theme "Productivity in Education: Measuring and Financing" into perspective and, in the process, to raise some questions about the entire enterprise. The educational fraternity has been "running scared" since the concept of accountability in all its manifestations surfaced, and I wonder whether productivity is really descriptive of what we have in mind.

All institutions in American society today are under severe attack; all authority in American society is being challenged. Therefore, it is only natural that our public schools are under attack for alleged low level of productivity, and it is to be expected that the authority of educators be challenged. The whole decision-making process in American society is under frontal assault. There is a credibility gap concerning both the process of decision-making and the wisdom of decision-makers.

There are various arenas for examining this probing, questioning, and assault. In the private sector of the economy, the thrust of the attack is the alleged failure to consider the social costs of private economic activity. As judged by the narrow criteria of productive efficiency, private enterprise has performed moderately well; however, the broader social effects of private economic activity have been ignored.

Perhaps the two outstanding examples in private industry are cigarettes and automobiles. Only a few weeks ago we saw the last television commercial advertising cigarettes, and cigarette packages now carry the mandatory caveat that cigarette smoking is dangerous to health. The typical representation of American private enterprise, the automobile industry, has had a wide array of critics, ranging from Ralph Nadar to distinguished members of the United States Senate, all of whom criticize the industry for what it has wrought. The productivity of the automobile assembly line is not seriously questioned. It is assumed that General Motors is running a fairly efficient shop. But the impact of the automobile on the quality of urban life is questioned, with areas of concern ranging from air pollution to the conversion of large portions of cities into parking lots. The charge is made that the side effects and social costs of some private sector activities have become intolerable.

Such charges are commonplace, but think back just 10 years and ask whether all of the issues now discussed on radio and television talk shows have surfaced. The number is minimal. The charge against the private sector in terms of its failure to look at the social consequences of its actions has come about in large measure within the past few years. Not long ago the mayor of a city said that "if the town wants to grow, it will have to stink." No mayor in America today would make that remark and expect to be re-elected.

While the private sector has not had its level of productive efficiency seriously questioned, but rather has been attacked for failing to look at the social consequences of its actions, the converse has unfolded in the public sector. The broad social goals of most public sector activities are, by and large, still accepted, although there is, of course, a great deal of debate about the precise definition of those goals. What is being questioned, probed, and attacked, however, is the level of productivity in the public sector, and this includes the productivity of public education. Senator Proxmire of our host state has made a national reputation by questioning the procurement practices of the Pentagon. If one thinks back over the past few years about the antiballistic missile system, the Alaska pipeline, and, most recently, the supersonic transport, there are grave questions, not only in terms of the broad social issues of war, peace, or the environment, but, more specifically, in terms of the productivity entailed in the decision-making process in the public sector.

It is little wonder that productivity in the public schools has also come under question. The question is asked: "Are the schools operating at optimal or even high levels of productivity?" This question is a reasonable one for a number of reasons. In the first place, education is absorbing a large and growing share of our gross national product. In the past 20 years, the GNP devoted to education has just about doubled, not only in the United States but globally as well. The federal budget devoted to public education has grown sharply, although not in the past three years. In 1955, less than 1 percent of the federal budget was devoted to education, compared with approximately 3.8 percent proposed by the Nixon budget for the coming fiscal year. Strangely enough, military expenditures for that same period (1955 to 1972) declined from 59 percent to 34 percent of the federal budget. This does not mean that the level of military spending in the country is inadequate. I merely indicate that even though the Pentagon is spending a smaller portion of the federal budget, the Pentagon is under constant attack in terms of its cost effectiveness and its level of operating productivity. It is not surprising, therefore, that education, which has more than doubled its share of the GNP in the past couple of decades, should be under public scrutiny in terms of each level of productivity.

There are other historical reasons for this close public scrutiny. Education has been a labor intensive industry using very little capital and having, on the whole, a very slow-moving technology. The presumption, therefore, is that the productivity of public schools can be increased. Education is saddled with an organizational structure of over 17,000 operating school districts in this country. Since these range in size from vast to infinitesimal, it is reasonable to assume that the very organizational structure of our enterprise is likely to make for less than optimal levels of productivity.

Over the years, education has been process-oriented, not goal-oriented. It has focused on inputs, not on outputs. In an age when the cult of efficiency is again on the rise, it is understandable that in an industry which is process-oriented rather than goal-oriented and which traditionally looks at inputs (i.e., number and salaries of teachers) rather than outputs, goals shou'd be suspect in the productivity game.

Productivity is very easy to measure when inputs are clearly defined and controllable and when outputs are immediate and basically one-dimensional. None of these conditions is present in the public schools. I find some of the popular writings of the past year or two in the realm of accountability as it relates to productivity almost amusing. It is argued that we would not tolerate every fourth airplane being defective, but we tolerate a high-school dropout rate of 25 percent. And the case is often stated that the education industry is guilty not only of a low level of productivity, but even of an unwillingness to look at its own productivity.

One of the best-known proponents of the accountability cult said in a recent article that if lawyers would win as many cases as they lose, they would have no clients. The arithmetic here escapes me because it seems that—ignoring out-of-court settlements and those rather unusual instances when both lawyers claim victory—for every legal victory there is a legal defeat. I shall have to ask the former superintendent in my home county how he arrived at this horrendous conclusion that no self-respecting lawyer could long survive if, on the average, he had as many losses as he had victories. "Every kid a winner." I can just see the legal experts advertising every client a winner and being laughed out of court.

I suggested a minute ago that productivity is easy to measure if inputs are clearly defined and are controllable and if outputs are immediate and basically one-dimensional. Let me begin with inputs. The most significant conclusion of the Coleman Report, which I believe should be the first line of discussion of all issues pertaining to accountability and productivity, is that factors outside the schools are more significant in determining educational outcomes than are factors within the schools. When it was suggested that no one has yet learned how to make a ghetto school work well, President Nixon's former advisor, Mr. Moynihan, commented that no one has yet learned how to make a real ghetto school not work. I am not suggesting that measuring educational productivity is impossible because factors over which the school has little if any control seem to be more significant in determining educational outcomes than those factors over which the school does have control. I am merely suggesting that there is a great danger that some of the most important outputs will not be measured, that some of the most important outputs can be measured only over protracted periods of time, and that some of the by-products not measured may be more important than measureable units of production. There are many unexpected outcomes, cumulative side effects, and a whole lifetime during the course of which the level of productivity in the public schools can be measured. I do not know how you balance intellectual or skill gains against emotional losses. I still believe it is true that 90 percent of what a child learns he forgets, but that the education remains.

Education is not the only industry in which we have dicovered that the by-product occasionally becomes more valuable than the manufactured product. For a long time gold mines were throwing aside as waste ore containing uranium. The industry then recognized that the more valuable output of its productive activity was the waste uranium, and gold subsequently became a by-product. The productivity cult, I submit, may well result in doing the

wrong things more efficiently. Even today, some students describe our schools as a mouse race that prepares them for the rat race. Presumably, learning to do the mouse race faster and more efficiently will prepare one for faster and more efficient performance in the rat race.

The productivity cult reminds me of the classic comment of the Air France jet pilot who came on the intercom and reported that he had good news and that he had bad news. "The good news," he said, "is that we are fifteen minutes ahead of schedule, and the bad news is that we have no idea of where we are." I wonder whether this headlong new pursuit of measuring productivity in education might result not only in students being able to pass tests more effectively, but also in their learning to hate the subject studied, or, in fact, learning to hate learning itself.

It is difficult to come up with the right answers if we do not ask the right questions. My favorite wrong question is, "What shall we do with the drunken sailor?" The real question, of course, is "Why did he take to the bottle?" I am suggesting that all the trends point toward the triumph of the bookkeeping mentality. There would be nothing more disastrous in an age of such profound, sweeping alienation as yet another victory for the dehumanization process of attempting to quantify everything that goes on in public education.

Do not misunderstand me. I am one who believes that increasing productivity in education is necessary. I also believe that it is possible. But I am thoroughly committed to the view that increasing productivity in education, although necessary, is an insufficient factor in restoring public confidence in our schools. The basic cause of the general dissatisfaction with our public schools has little to do with productivity. It has to do with the fact that values in our society are in a state of flux; and schools, like other institutions, seem to be confused about their own value systems and about the value systems of the society they are trying to serve.

Let me offer two imaginary scenarios. Let me assume that I am a performance contractor who tells the school board that for a modest fee I shall increase productivity in a demonstrable fashion in the schools by 50 percent overnight. Now let me assume that you, also a performance contractor, tell the same school board that you will not increase productivity one iota, but that as a result of your entry into the school system, drug use will cease and the value patterns of the parents' generation will be happily assimilated as their own by the student generation. Which of us will get the contract?

There is no doubt in my mind that what "bugs" the public is not the low level of productivity in public education, whether that charge be true or false or in-between. The anxiety, the dissatisfaction, the malaise is far more deep-seated than that. Public schools have been bound historically to middle-class or bourgeois values, and, for the first time, a large-scale counterrevolution is evolving in American society. A multiplicity of life styles is developing in American society; a variety of groups which have little in common with each other, either ideologically or any other way, find the public school a convenient scapegoat for youth not measuring up to their life style. Peculiarly, therefore, we are talking about the question of productivity as if, in fact, public disenchantment with public education truly could be remedied with a

5 or 10 or 25 percent increase in the level of productivity, however scientifically measured.

The function of the school, of course, is that of teaching skills at all levels so that students can learn to make a living. In addition, the function of the public school is to develop human beings who will know how to live. The skills needed to make a living are relatively easy to measure. The attributes that result in a happy life and in a good society are beyond the realm of productivity as measured by the economist. What I am suggesting thus far is that it is understandable that the public is concerned about the decision-making process in education, since it is concerned with the decision-making process in all other segments of American life. I am suggesting that levels of productivity in education are probably rather low for a variety of reasons, and I am suggesting that they can probably be increased quite significantly.

Certainly the seeds of productivity which will be successful in measuring how efficiently and how effectively we do certain things have been, can be, and will be developed. This superoptimistic and hopeful remark would make one conclude that if we give more education for the dollar, the public will give us more dollars for education. I doubt it.

The literature on the economic and social values of education is overwhelming in volume, and the findings, at least as far as the United States is concerned, are virtually noncontroversial. Investment in human beings pays off. It makes sense as a means of increasing the country's productive capacity; it increases the individual's earning power; it enhances his socioeconomic mobility; it heightens his degree of political awareness and political participation; and it adds new dimensions to his ability to enjoy life as a culturally sensitive human being. Since education does all this, even though our schools are underfunded, I think it unrealistic to hope that increased educational productivity will lead to more adequate funding of public education.

What I am saying is that I really do not believe the statements emanating from certain circles—that if you just give us more education for the dollar, we will give you more dollars for education. Perhaps the climate for better school funding will be improved, but a more hospitable climate in itself will not be enough.

What is called for is not more imaginative school finance formulas, but more political muscle. The basic fact of school finance in American is that political decisions, and not economic constraints, determine the availability of resources for public education. The perimeters of resource availability are purely political, not financial. We have reached the stage in this trillion-dollar economy when decisions determine resources, not resources decisions. Although many communities and states can increase their funding of public schools considerably, the thrust of the breakthrough for better funding of public education must come from the federal government. It should increase its share of financing public schools to one-third of the total cost. We should achieve this by maintaining the present aggregate in local and state resources devoted to public education, and by increasing sharply the trend of federal participation. I am also convinced that the federal government's own structure prevents the fulfillment of its mission in public education. I therefore call for a Department of Education at the federal cabinet level.

Once we break through public funding from the federal source, which we will get only with a dramatic increase in our political muscle, we shall be able to move to new and unprecedented levels of productivity with the kind of experimentation that is now beyond our wildest dreams. At the other end of Sesame Street there is the national open university. There is little doubt that within a decade we will have a higher education option which will offer external degrees and which will rely on a whole new range of educational technology different from that which we have today in our institutions of higher learning. Between Sesame Street and the open university there is a whole electronic revolution, much of which our curriculum has not yet noticed.

This is the first TV generation. Its members have spent more time before the television set than in the public schoolroom. This is the first generation in American history to receive intellectual and other stimulation from a variety of sources, of which the public school is but one. I realize that the curriculum is more difficult to move than a graveyard. Yet, with the kind of major breakthrough I expect from the federal government, I believe it will be possible to move to entirely new levels of educational productivity. We shall in fact need national equalization formulas to average national levels at the very least at $1,000 of current expenditures at today's levels.

In the next few years we shall have a unique opportunity to make a breakthrough, because the population trend is with us. In the 1950's our population grew by 18.7 percent, and in the 1960's by only 15.7 percent. In the 1970's population growth will be less than 11 percent. For the next few years, our public schools will show negligible growth. This is our historic moment to make a breakthrough in public school funding, when the tremendous burden of additional enrollments at the elementary and secondary levels will not be with us.

The pro-education alliance of the past two decades has fallen apart for a number of well-known reasons. The vicious circle must be broken. It simply is not productive to say, "If you will give us just enough more money to enable us to do exciting new things, you will be happy with the schools." They are telling us they will give us more money if we do these exciting and satisfying things. The vicious circle can be broken in this society only by the political route.

We have built a peculiar society; it is safer now to walk on the moon than to walk in New York City. New York City, with 8,000,000 people, had as many homicides last year as England, Scotland, Wales, Ireland, Switzerland, Luxemburg, Spain, Sweden, Norway, Denmark, and The Netherlands combined. The 128,000,000 people in highly concentrated urban areas of Europe committed homicides in exactly the same number as did the 8,000,000 people living in New York City. No wonder the public is restless and uneasy—and a 10 percent increase in educational producitivity will not be the answer.

Just the other day, Robert Lapp remarked that we are aboard a train which is gathering speed and racing down a track on which there is an unknown number of switches leading to unknown destinations. There may be demons at the switches, and society in the caboose looking backward. This fairly accurately describes the malaise of American society in 1971.

There is a recession abroad in the land, and I am not talking about the recession that the economists usually talk about—the one that had its low point last November. I am talking about a recession of the spirit. There is a deep-seated malaise in the society which results in the questioning of institutions, processes, decision-making, and authority. There never has been and there never will be in this society a more effective answer than the public school system, aware of its strength and willing to exercise its newfound political muscle.

Comments by *Iris Garfield*

THIS IS NOT a time of depression of the spirit in our society, but rather a time of profound questioning of values in our society. The evolution of a counterculture and the emergence of varied life styles are an evolutionary development toward a new, more open, honest society, a society of human beings.

The drive toward accountability is a direct way of making the education profession catch up with the technological society. Accountability asks, after all, what have we accomplished with the resources we have been getting. The American public wants more precise information about the relation between input and output. A Tulmudic saying, "If you don't know where you are going, any road will take you there," applies. Much educational information is oriented toward input and process, not toward product. The Coleman Study made the first effort to focus on output. More important than any other effect of this study is the direction toward output. In this survey and in the many subsequent analyses of the Coleman Study policy-relevant information is minimal. Large-scale research on the teaching-learning process has not been undertaken. There has been very little research on the production function in education. Now, I think, we shall begin to have that kind of research. The legislation is before us now on the formation of the National Institute of Education. Experiments are being conducted in performance contracting. Some are good and some are not, but change is in the offing. Part of the direction toward measuring productivity stems from the national concern for those whom society has served least well, the low-income, low-achieving groups. The current focus is on reading and not on the whole child perhaps because if a child cannot read, no whole child concept will help. Accountability has developed as a national, state, and local force to support public education.

Comments by *Joseph N. Froomkin*

IT IS EASY enough to shrug off the attacks on education by lumping them together with attacks on the rest of our society. I believe that critics of education today have much more telling points to make than do critics of other institutions.

Educators continue performing the function they know how to do best: offering practical universal hospitality to the young and the adolescents. The school is continually used as a sorting mechanism, with the worthy being promoted and sent on to higher levels of education, and the not-so-worthy receiving second- and third-rate diplomas.

Now that universal coverage has been achieved, different groups in society are demanding that the school instill in their children skills, values, and attitudes which they do not know how to transmit. The disadvantaged want their children to master the Three R's; middle-class Americans demand the teaching of conventional values; those with above-average status ask the school to cover fundamentals and skills needed for admission to college, and demand that teachers pay special attention to the gifted. The very rich want their children's creativity nurtured to orient them to a meaningful life.

Educators have not focused on what it takes to do well with what groups of children. They have not disaggregated the tasks of the schools or put them in priority order. Hence, they have tried very hard to do all things as well as they know how. Costs have skyrocketed and the results have not been very satisfactory.

There is still considerable ambivalence about recognizing that the school can do only a limited number of things well. Most educators adopt a linear model of learning, assuming that all knowledge flows only from the school environment. This is not true. Students' families and peers play important roles in the learning process, and even more important roles in determining a child's values. The arrogance of schoolmen as civilizing agents prompts them to claim outputs which can be measured only over protracted periods of time, and to ignore the more modest goals which teachers can and know how to instill.

While school outputs must be accepted on faith, school costs are rising. Class size is decreasing, while low achievement on standardized tests in large cities is becoming more alarming. In a slowly growing economy, more money for education means less for something else. The United States is a rich country, but the individual family is not getting richer. Nor are teachers, for that matter. In 1969-70, the median salary increase barely outpaced the increase in cost of living.

The educational community has not provided society a clear choice. It has not told us what it will deliver if 1 percent more of the GNP is spent on elementary and secondary education. If it could promise no reading failures, no wife-beaters, and no dropouts from conventional morality, taxpayers would rush to the polls to give it more money.

The political part of the administration has little faith that educators will either solve society's problems, or will keep us together. Education's getting as much as it does is mostly the accomplishment of a few dedicated Congressmen. It is quite possible that consolidating all educational moneys under a Secretary of Education will give it so much visibility that the ax will be swung to cut into the appropriations even deeper.

The educational establishment has not embraced "sexy" and politically viable alternatives to expand federal support to education. The community has been too divided to develop and champion, say, an effective cognitive

program for preschool children. As many as 250,000 teaching jobs in 1980 could depend on the success of such a program.

Only when "systems" which ensure more nearly equal educational outcomes tied to more nearly equal and generous support of education are developed, will the federal government give generous support. Until then, as the supply of teachers increases, economic forces downgrade the profession, divide it even more, and make it even less politically potent. As an alternative to the cult of efficiency, I urge you to develop reasoned arguments to convince politicians, bureaucrats, and voters why they should support education more. The old homily of educational investment paying off in higher GNP no longer means much to one out of 40 professionals on the dole.

Cost Effectiveness of Education Programs

James W. Guthrie

I FIRMLY BELIEVE that empirical analysis of public sector programs can influence the levels of resources which will be allocated. By no means am I deprecating the importance of strong political action in obtaining resources for education. The political action of the National Education Association in working for full funding is good evidence of the payoffs which can come from political action. Nevertheless, as competition for scarce resources increases, it is incumbent upon us to make clear the effect of those resources. As the absolute number of pupils we have to teach in the public schools begins to decline, it will be increasingly difficult for us to get added dollars unless we can make a cost-effectiveness case for them.[1]

We are perhaps several years away from being able to demonstrate with empirical precision the effectiveness of education programs. Nevertheless, we have the impetus to begin these studies. From 1920 to the early 1950's, a cost-effectiveness effort was conducted by school finance experts, led primarily by Paul Mort at Teachers' College, Columbia University. The attempt here was to assess the relationship between inputs, such as dollars, class size, and staffing, to measures of output. With the limited technology available at that time, the results were not surprising. Those districts which spent more money had higher indicators of academic achievement. We now realize that a lot more is involved in pupil performance than adding dollars. A pupil's social class background exerts a tremendous influence. Moreover, we know that those districts which have high expenditures also tend to have pupils from high social class backgrounds.[2] In Mort's time no sufficient effort was made to separate the influence of expenditures from the influence of social class backgrounds.

Subsequently, in the late 1950's and 1960's, individuals with training in sociology began to enter the field of research in educational productivity. For them the social context was important. In studies by Wilson[3] and Coleman[4] there was such an overemphasis upon social class background that they were unable to identify any substantial effects of schools apart from pupils' social class. Why say they "overemphasized" social class background? Because these researchers made the same mistake as Mort and his colleagues; namely, they confounded school services and social class background. As I said before, this confounding occurs because wealthy communities have the best schools and low-income communities tend to have the worst schools. Consequently, it is difficult to separate the effect schools are having from the effect of the social class.

There are Coleman Report critics who hold that it has no value for policy setting.[5] Their reasons are many. The first is that the response rate of the sample was so distorted as to cause questions as to whether or not it constituted a representative sample of the United States. Secondly, the measures taken and the questions asked appear to be so incomplete that it is not

surprising that the Coleman Report is interpreted to say that schools make no difference. (For example, instead of trying to measure what teachers do in the classroom, the Coleman Report took teachers' characteristics, such as age and experience, as a proxy for classroom behavior.) Lastly, because of the particular statistical techniques involved, it is not possible to say that schools have no effect. The research team chose to put social class factors into their equations first, a procedure for which there is no logical rationale.

My point is not to criticize the Coleman Report. If others had been involved, it is doubtful that they could have done better. Rather, the point is that the Coleman Report team has stimulated efforts to focus on the outputs of schools. Without this stimulus, we probably would be two decades away from any significant cost-effectiveness effort. What is now necessary is a long-range, massive research effort to begin to identify schools and instructional processes which are effective. It will take the involvement of every facet of the educational community. Such massive and long-range efforts are not likely to come about under any of the present educational research organizations. Therefore, I urge the NEA to take a strong position in support of the National Institute of Education. Only with that kind of organization can progress in cost-effectiveness studies be made, and only with such progress can we ensure the long-run ability of education to compete for resources.

FOOTNOTES

[1] For illustrations of the effect cost-effectiveness analysis can have upon the political decision-making process, see: Schultz, Charles L., *The Politics and Economics of Public Spending.* Washington, D.C.: Brookings Institution, 1968. 143 p.

[2]For evidence on this point, see: Guthrie, James W., and others. *Schools and Inequality.* Washington, D.C.: Urban Coalition, 1969. 266 p.

[3]Wilson, Alan B., "Residential Segregation of Social Classes and Aspirations of High School Boys." *American Sociological Review,* Vol. 24, 1959.

[4]Coleman, James S., and others. *Equality of Educational Opportunity.* Washington, D.C.: Government Printing Office, 1966. 737 p.

[5]See, for example: Kain, John F., and Hanushek, Eric A., *On the Value of Equal Educational Opportunity as a Guide to Public Policy.* Discussion Paper No. 36 for the Program on Regional and Urban Economics. Cambridge: Harvard University, 1966.

New Directions for Federal Aid

Charles B. Saunders

THE PROPOSALS for special revenue sharing which have been made are a new and exciting direction for federal aid to public schools. I hope to share with you today some of my concerns about these proposals.

The education community at large has not given adequate consideration to special revenue sharing partly as a result of confusion that has arisen because the proposal has not been made yet officially. The Office of Education may also be partly responsible for the confusion because we have had to discuss this concept with educational leaders throughout the country without being in a position to say what specific proposals would be made. This has generated some obvious concern.

If you support the concept of revenue sharing, perhaps it will be worthwhile to give a little thought to how you can bring it about. But first, a little background of what we are trying to do and why.

Fiscal pressures are increasing in all school districts, most particularly in those that are least able to cope with their problems, namely, the core cities and rural poverty areas. Existing inequities in state and federal aid may be compounded as pressures for cuts continue. The obvious areas where a school district can immediately use more money are instructional materials, compensatory education, the shortened school day—areas that research is now suggesting can make an educational difference. Yet all these areas are subject to cuts in a financial squeeze.

I shall now outline some of the assumptions basic to revenue sharing proposals which may not be so apparent. The broadened federal resolve is to provide more aid to schools to meet problems of desegregation. This Administration has proposed $1.5 billion in new funds to be devoted to this effort. Another proposal, which has bipartisan support, is to establish a National Institute of Educational Research. This involves the federal commitment to double the research funds for education in the next four years. The keystone of these proposals is the President's recommendation for revenue sharing. One of the central purposes of revenue sharing is not only to provide more effective forms of federal aid but basically also to provide more federal aid to the schools.

The context in which these proposals for special revenue sharing will be sent to the Congress is this. The President has already proposed $5 billion in new money for general revenue sharing. This is not exclusively an educational measure, but it is one that has profound implications for the educational systems throughout the country. In 1969 when the President first proposed

general revenue sharing, 40 percent of the state and local expenditures went into education, and as federal revenues were to be shared, it was assumed that they would go to education roughly in the same proportion. The proposal as it stands does not provide funds for special governments, only for general governments, and most school districts are special taxing areas. However, if federal funds are made available to states and localities for any purposes, existing local and state funds are released for other priority areas, of which education is a major one. Similarly, the welfare reform proposal to place a federal floor under welfare costs has implications for the educational system in that it also provides a prospect of state and local funds being made available for other priority areas. Therefore, the $5 billion in general revenue sharing will provide in one way or another important new sources of revenue for the schools.

The special revenue sharing proposals involve $1 billion of new money and $10 billion for existing programs. Education is but one of six special revenue proposals. The others that have been sent to the Congress already are highways, transportation, urban and rural community development, and law enforcement. Education's share of special revenue sharing will put together existing formula grant programs in elementary and secondary education costing $2.8 billion. To this, the President's proposal adds $2 million in new money from special revenue sharing, making a total of $3 billion for the first year. Although this merely keeps pace with the rising cost of living, we are really trying to establish a formula for future assistance at greatly expanded levels.

Some people are criticizing the proposal, claiming that special revenue sharing for education is just a gimmick, a matter of semantics, not really revenue sharing at all. I submit it is because the revenue sharing would be by formula and automatic. This is important to keep in mind because one of the concerns is the extent to which the schools can count on this money. Our proposal is to make it an entitlement, and making federal aid an entitlement based on a formula is a concept that itself is an important new direction in federal aid.

A question has been raised about the possibility of the same old appropriations controversy in the Congress. People say we are proposing a formula that Congress can always cut. An analogy here is the level of benefits for social security. The Congress can cut the level of social security benefits, but it does not. Normally the Congress increases social security benefits year in and year out so that they can adequately meet needs. Similarly, if the principle of an entitlement formula can be established, the normal thrust of the Congressional process will be to make that formula provide more money to better meet the needs it is designed to meet.

Some education groups with special interests have expressed considerable concern over whether they will get out of this sort of program as much money as before. I say that the consolidation of these programs—putting them together into an entitlement—will make it possible for the education groups to work together more effectively for the first time, to point out to the Congress what the real needs are, and to urge the enrichment of the entitlement formula.

While special revenue sharing would simply put together existing grant programs, we have another proposal in mind, which is still in the development stage. This proposal would put research and development programs together—an educational renewal act—and would achieve some of the same goals of consolidation and elimination of federal red tape in providing grant money to schools to give the impetus for needed change. It would be a formula grant program. This proposal taken as a whole presents enormous significance for education. It is not just a gimmick or just a repackaging of existing funds. Rather, it is a better basis for delivering federal assistance—a mathematical, automatic entitlement that offers the prospect of uniting educational interest groups in dealing with the Congress.

The implications of special revenue sharing in terms of consolidation and reform of the present tangle of federal red tape are not to be dismissed lightly. Full funding of existing programs is not the answer. The annual struggle for full funding simply evades the question of how federal funds can be provided more effectively. I am not making a hard and fast proposal, just opening a debate that has been needed for some time. I raise the question, "Should we continue as a nation the existing proliferation of federal grant programs and the increasing entanglement of federal involvement with local school systems?" Is the answer just a piling on as we have now?

The programs that have been developed have been very successful, but they have been piled up one on top of another, and the maze of guidelines and regulations makes it more and more difficult at the state-local level to package that assistance so that it can be used effectively to meet local needs. For example, how often does a school system link its Education Professions Development Act teacher training funds with its ESEA program supplemented by Title 3 in NDEA funds? Now, when you consider federal funds, you have to think categorically. But this has reached ridiculous extremes such as the case of a state employee who gets 17 paychecks, that is, his salary comes from 17 separate programs. Besides this, there is an inherent impossibility for federal agencies to write guidelines that are applicable to the approximately 19,000 school systems. Further, needs differ not only from state to state and from district to district, but also from school to school and within schools.

The present system is simply not the kind to keep adding to. Therefore, I question the categorical approach that was sound in the late 1950's. The National Defense Education Act is a program designed to meet identifiable national needs, but the layering on has continued until now the body of legislation reflects priorities dating from the 1920's in the case of vocational education, the Korean war period in the case of impact aid, the NDEA in the case of the Sputnik area of the late 1950's, and the recent concerns for the disadvantaged. As a result, these proliferating programs tend to operate in isolation, some of them concentrating on a single school or a feeder system requiring officials at the state and local levels to indulge in grantsmanship to see that the district gets as much as it can out of the federal treasury, but not to see that those programs are logically designed to meet state and local needs. If existing programs were to continue or to be funded more fully, what would be the result in years to come? We know from existing research that

non-metropolitan areas get a disproportionately large amount of money and the urban areas are short-changed. Continuing this kind of federal assistance would not help to erase existing inequities or disparities. Current programs do not deal and will not deal with the fiscal crises in the schools or provide proportionately larger resources to areas of greatest need, except in the case of Title I, and even that has a negligible effect on fiscal equity. Therefore, there is little incentive in existing grants for changing state and local revenue systems.

How should federal aid be provided? How can federal aid be made more effective? Special revenue starts with a formula allotment to states for five areas: the disadvantaged, the handicapped, vocational education, impact aid, and support services. These areas embody the broad national concern of existing legislation. The existing programs in these areas should be put together in such a way that much greater flexibility is given to the states and localities to use the money as they see fit to meet their own needs. The money could go to the states on a formula basis, and then it would be up to the states to devise a formula for redistribution to the local school districts. Thus, a much greater involvement in educational needs at the state and local levels would be promoted. For example, extensive public hearings would be involved in the development of the state formula. Much better comprehensive planning and identification of the state's priorities as a part of the process for developing the distribution within the state would be stimulated. The formula developed would be automatic and have the added stability of being based on the state's own educational needs. And a basic part of the proposal would involve advanced funding for all five areas; that is, the appropriations would be enacted a year in advance.

Most of the money in three of the five categories would be distributed to the local educational agency in the state. In the case of the program for the disadvantaged and the impacted area program the money would pass directly through the local educational agencies without a stopover at the state level. The states, then, would be responsible for devising a formula on how the money for the three areas would be parceled out.

My proposal also has built into it considerable flexibility for the states to take care of their own needs. It would provide an opportunity for them to put up to 30 percent of the funds for one program into another program. For example, if a state had already made great strides in vocational education, it might use some of these funds for programs for the disadvantaged. It could take up to 30 percent of the money out of any of the other areas except from the areas of the disadvantaged and impact aid. In any case, the money would be allocated on the basis of priorities and needs identified by the state and local communities.

One part of the proposal that has generated considerable controversy among educators is giving the governor some control over the money. Since these are individual categorical programs, the question may be raised, "Why does the governor need to get his hands on the money?" As a matter of sound public administration, steps are being taken in all kinds of federal programs to give a state governor some kind of input. In this case, the money would go to the state educational agency. It cannot go to any other state agency because

it is designated for the five areas in education. The intent here is simply to provide opportunity for the governor to look at educational priorities within the state, and thereby have some share in the decision-making process, not to veto.

The legislation also would provide assurances on accounting procedures, maintenance of effort, and the application of Title 6 of the Civil Rights Act. It will be clearly stated that this is a federal responsibility which will not be delegated to the state.

The proposal for reforming the disposition of federal aid offers revolutionary possibilities for the educational system by establishing federal aid on a formula basis. It gives greater responsibility to the states and local communities in meeting their own needs, encourages fiscal reform, and achieves more stability in that federal assistance would come every year. And it offers the basis for significant expansion of the federal contribution to the public school system throughout the country.

The Political Leadership Role of Teachers

Oliver Ocasek

THE TEACHING PROFESSION has always been active in the politics of education, especially in the area of finance. Unfortunately, individual members of the profession—and some of their associations—have not persistently built a political base for effective influence on public education policy. Speaking as an educator *and* politician, I can assure you that any form of abstinence from politics at any level of government will quickly kill off any chance for success where school finance is concerned. This is especially true in the 1970's, a time when teacher participation in the political process has its greatest potential—and its greatest challenges.

During the first half of the 1960's, teachers exerted a great influence in the authorization of federal expenditures for public education—for far-reaching compensatory education in the elementary and secondary schools, for innovative practices in academic and vocational training, for the creation and development of postsecondary programs. In the latter half of that troubled decade, teachers and their allies succeeded in convincing the Congress that some (if not enough) federal money be released from the Treasury to carry out the authorized programs.

The extent of the funding problem is obvious from some hair-raising headlines we have all seen in the press lately: Ohio, my own state, estimates that more than 100 of the state's 631 school districts are in a critical bind; New York City narrowly averted a layoff of 6,500 teachers and administrators; Philadelphia is talking about the possibility of ending the current school year three or four weeks early; Chicago will have to find $58 million shortly, or be forced to lay off 4,000 of its 25,000 teachers in the fall; Los Angeles faces a $40 million deficit for 1971-72; Kansas-NEA estimates that 20 percent of the state's 311 school districts have reduced staff this year. And teacher layoffs or serious program curtailments are reported in Minnesota, Wyoming, South Carolina, Wisconsin, Oregon, Rhode Island, Vermont, New Hampshire, Montana, Colorado, Indiana, and Connecticut.

How active were the teachers in trying to avert these financial disasters? Would the school crisis of the 1970's be plaguing us if teachers had exerted fully their civil and political rights and responsibilities? I think not, because the voice of the profession can be loud and clear. We can be proud that a sizeable number of political candidates won—or lost—in the 1970 elections because of political activism by teachers, teachers who threw off the shackles of negativism, apathy, timidity, or downright fear. But our victories could have been bigger.

Now we have new challenges in addition to the old. We need teacher political action to help continue the good programs of the past, to elect good candidates, and to work for greater public support of education. We need to convince the Administration and the Congress of the urgent need for a Cabinet Department of Education. Why? Here are the reasons:

First of all, we need a top-level spokesman in the federal government who is responsible to the people and to the Congress for the way federal money is spent for the country's schools. The people want to know, and the Congress has to act on future funding. The Congress needs to know, from one single source, how effective the federal program is, or to put it in the rhetoric of five years ago, how much "bang we're getting for the buck."

Next, the schoolchildren of this nation need an advocate in the executive branch. The highway builders have one. The airplane manufacturers have one or more. The makers of guns and bullets have a terrific one. The farmers have one, and he has to convince farmers not to plant. The schools *need* one. Desperately. Sidney Marland and his distinguished predecessors have been thwarted and stymied by the simple bureaucratic fact of their rank in government. They have little access, if any, to the President. They cannot even communicate with the Secretaries of executive departments who share their concerns and responsibilities for the education of our children.

And we need a separate Department of Education to abolish the absurd duplication of effort and funding in education. School economists agree, I believe, that the federal government should assume a full third of the burden of financing the public schools. In 1970-71 we will spend, nationally, about $42 billion for the operation of public elementary and secondary schools. Only 7 percent is spread out under the budgets of at least 40 federal departments, bureaus, and agencies, ranging from the Department of Health, Education, and Welfare to the Office of Economic Opportunity, to the Department of Labor, to the Department of Agriculture, even to National Aeronautics and Space Administration and the Bureau of Indian Affairs. Small wonder that the Congress is seduced by the critics of public education and the hucksters of specious "reform" programs. Until we vigorously publicize the cogent and coherent argument for full federal funding, we shall continue the uphill battle for money to run our schools.

The need for teacher involvement becomes more urgent as we look at some of the reforms being proposed. Instead of full funding, the Administration flirts with a simple redistribution of existing appropriations—revenue sharing. A great idea, if you accept the proposition that this is a politically, socially, and economically homogeneous nation. I am convinced that it is not homogeneous, that there are individual needs, politically, socially, and economically among the 50 states. The revenue sharing proposals, which are still in the drafting stage, avoid the question whether all possible efforts to simplify and consolidate the grant application and review processes that take up so much time at the state and local levels have been exhausted. If it is necessary to secure legislation authorizing a streamlining of the application and review processes, such legislation would have a far better chance of Congressional passage than the proposed *consolidation of programs*, each of which has a different purpose and target group.

Speaking for the NEA Legislative Commission and for myself, I do not believe that efforts to end the duplication of federal grant programs will make much headway toward solving the major fiscal problems facing the schools today. A single cabinet department could cut the red tape and propose sensible, well-conceived procedures to obtain federal dollars for specific-purpose programs, and to plan for the time the Congress gives the schools massive general aid through a program designed to give states the utmost flexibility to define and devise solutions to their own individual problems.

If we are to achieve these goals, we must recognize that no association or confederation of intellectually and politically sophisticated professional educators can afford to sit on the sidelines of the real world and let elected officials determine the destiny of our schools. If public education is in trouble, if large numbers of our clients are short-changed because of skin color, religion, or social status, we must accept our share of the blame. But we will not have to apologize for the shortcomings of American education if we accept the leadership role that is appropriately ours. When we fail to lead, our leaders will fail. This is the challenge we must accept, and it is up to us to help develop workable solutions.

Revenue Sharing

Peter Veillette

AT FIRST GLANCE revenue sharing, or "general revenue sharing" as it has come to be known, seems to be a quick, simple solution to a complex problem. The problem, of course, is the current fiscal situation of the nation's state and local governments. The revenue-sharing solution has the initial appeal of being a painless way to deal with a persistent problem. If revenue sharing is not an idea whose time has come, it is an idea whose period of public debate has come. Unfortunately, much of this debate seems to have produced more confusion than consensus, and has oversimplified the issues to the point where political and economic realities are lost. I shall try to present a perspective on revenue sharing which recognizes both of these constraints.

As a point of departure, I would like to state three propositions which I believe are generally accepted by those involved in the debate. First: The financial crisis of state and local governments is real, and must be met by either increasing revenues or reducing services. Certainly everyone has seen recent evidences of both these solutions. Second: The federal system of government in America is desirable, and should be maintained even at the expense of some efficiency. All proposals to date have been made to strengthen rather than weaken federalism. Third: The objective of revenue sharing, or other related proposals, is to redistribute revenues in a rational and equitable manner. Dissatisfaction with current federal aid programs conveys this message. Efforts to satisfy the first two requirements by means of the third have an interesting history of development.

The Heller Plan

Early legislative proposals that the federal government share its tax take with the states date at least from 1958. It was not until 1960, however, that Walter Heller first outlined a revenue-sharing plan that was to become the predecessor of today's proposals. The Heller plan suggested that the federal government set aside annually an amount of money equal to a given percentage of the taxable income reported on individual income tax returns. These funds would then be placed in a revenue-sharing trust fund from which disbursements would be made quarterly to the several states. The allocation for each state was to be determined on a per-capita basis. States would then be free to dispose of the funds as they saw fit. Reporting and accounting procedures were to be kept at a minimum.

Underlying this attempt to shore up federalism is the economic theory of a progressive income tax system. The structure of our federal tax system is such that a 1 percent increase in the gross national product will produce an

income tax revenue increase of nearly 1.5 percent. This ratio of tax yield to gross national product is called elasticity, and is the characteristic that places the federal government in an advantageous revenue position relative to state and local governments. By comparison with an elasticity of 1.5 for the income tax, the elasticity of most property taxes is about 1.0, and a general sales tax slightly under 1.0.

For a variety of reasons Heller's proposal received little serious attention outside academic circles until taxes were reduced by passage of the Revenue Act of 1964. With the passage of this Act, it was expected that the economy would pick up to the point where a budget surplus would exist, causing an undesirable "fiscal drag" on the economy. This eventuality prompted President Johnson to appoint a task force to study the feasibility of implementing a revenue-sharing plan. Joseph A. Peckman headed the task force which completed its study late in 1964. The report, generally believed to be favorable, was never made public, and the subsequent escalation of the war in Vietnam eliminated the possibility of a budget surplus. Consequently, the proposal was shelved.

The Heller-Peckman Plan

Interest in revenue sharing by the Joint Economic Committee of Congress during 1967 prompted a reworking of various revenue-sharing plans by Heller and Peckman. As a result of this work, they eventually presented to the Committee a modified revenue-sharing plan referred to as the Heller-Peckman plan. The plan differed from the original in several important aspects. The new proposal suggested that receipts equaling 2 percent of the income tax base be returned annually to the states on the basis of population. Disbursements were to be made periodically from the trust fund regardless of whether or not a budget surplus existed. Local governments would be guaranteed that a specific percentage of the shared revenue would pass through to them. Finally, the proposed changes provided that none of the funds could be used for highway construction since a separate trust fund already existed for that purpose. Throughout the 89th, 90th, and 91st Congresses interest in revenue sharing remained high. In all, over 200 bills relating to revenue sharing were introduced during this period. Although none of these bills progressed very far legislatively, the committee hearings produced intelligent discussion of the idea and contributed to the growing popularity of the concept.

General Support Gained

Since 1965 the idea of sharing a portion of federal taxes with state and local governments has gained support from politicians of widely differing philosophies. It is interesting that support has come from both conservatives and liberals. Conservatives see in the proposal a reversal in the flow of power to Washington and a restoration of the integrity of state and local government decision-making. On the other hand, liberals view revenue sharing as a means of assisting cities to meet their obligations while at the same time reducing reliance on the property tax for continued support and expansion of local functions.

Support for a revenue-sharing bill has brought together several organizations of state and local officials who not infrequently are in opposition on

other policy issues. The year 1970 saw a combined effort by the National Governors Conference, the National Conference of State Legislative Leaders, the United States Conference of Mayors, the National League of Cities, and the National Association of Counties to advance revenue-sharing bills through the legislative process. Various organizations representing financial and tax-oriented officials also lent their support to revenue sharing. Despite the efforts of these groups, the attempt to move Congress off dead center on the question failed in the 91st Congress. The reaction of these groups to the subsequent general revenue-sharing proposal of the Nixon Administration, presented in the opening days of the 92nd Congress, indicates a growing dissatisfaction with the details of the plan, and a gradual weakening of the state-local revenue-sharing coalition.

Provisions of Administration Bill

There are five important provisions in the Nixon Administration revenue-sharing bill. The first of these is the amount of funds to be made available for distribution. As proposed, the bill designates for fiscal 1972 an amount equaling 0.96 percent of the total taxable income reported on federal individual income tax returns for the latest year for which data are available. Presumably, this would be income reported for the 1970 calendar year. Beginning in fiscal 1973, the allocation increases to a permanent 1.3 percent. Translated into dollars, this amounts to $5 billion for the first year. For 1973 there is an upward adjustment according to the increased percentage allotment and income figures to approximately $6.7 billion. These funds are available without fiscal-year limitation, and constitute a permanent appropriation. The amounts, therefore, are generally predictable from year to year and are not subject to annual Congressional approval.

The second important section of the proposed bill is the state allocation formula. After the total amount of funds available is established, 90 percent is to be distributed to the states in accordance with a formula determined by multiplying the state's population by its revenue effort. Revenue effort is determined by dividing the total revenue of all units of government within the state by the total personal income in the state. This provision is supposed to encourage state and local governments to make a maximum revenue effort on their own, and to assure that shared revenue is not used merely to supplant state and local taxes. The remaining 10 percent of available funds for revenue sharing is to be distributed to those states which negotiate a local sharing formula rather than use the formula outlined in the bill. This provision is intended to maximize flexibility in the use of shared revenue and to meet the individual needs of differing state-local fiscal relationships. Payments under these formulas are made to the states on at least a quarterly basis.

The third important section of the Nixon revenue-sharing bill pertains to the allocation of funds to local governments. Included in the definition of local governments are counties, cities, and townships. Specifically excluded are school districts and various special district governments. As indicated above, the states receive a 10 percent bonus if a pass-through formula is determined by negotiation with local governments. In the absence of such a

provision, the bill mandates a pass-through of funds to local governments equivalent to the ratio of their general revenues to the combined state and local revenues. This sum is then divided among the local governments in proportion to their share of the total locally raised revenues.

A fourth major provision of the revenue-sharing bill is the previously mentioned incentive provision. To qualify for the additional 10 percent revenue distribution, a formula must be approved by more than one-half of the governing bodies of each of the following classes of government: counties, major municipalities (those having populations over 2,500), and major townships (those with populations over 2,500 and having a minimum employment ratio). Additionally, these governing bodies must represent a majority of the population in each class of local government. If any state should not adopt an alternate method for allocation of shared revenue, its portion of the 10 percent bonus would be available for distribution to the other states.

The fifth important part of the proposed revenue-sharing bill includes various restrictions placed upon recipients of funds. In addition to requiring a pass-through of funds to local governments, the bill also stipulates that a state not developing a negotiated pass-through formula maintain its existing aid programs to local governments, unless it can demonstrate that it has assumed responsibility for functions previously performed by localities. State and local governments must further abide by antidiscrimination provisions applicable to all federal aid programs.

Effect on School Districts

School districts receive no funds under President Nixon's general revenue-sharing plan. They count on one side of the ledger, but not the other. In determining the funds to be distributed to each state, school district revenues are counted in the formula; however, the same districts are ineligible to receive any shared funds. Proponents of the plan claim that school districts can expect to receive about 40 percent of the state portion of shared revenue based on current state expenditure levels. At best, this is a hope; and it is doubtful that the general units of local government in the states would vote to give a share of the pass-through funds to school districts.

Special Revenue Sharing for Schools

To meet the needs of schools, President Nixon has proposed a "special revenue-sharing" plan. Under its provisions school districts would be one of six general areas to receive block grants in place of existing categorical aids. In all, $10 billion would be consolidated through this program. To this amount would be added $1 billion of new funding. Details of the Education Special Revenue-Sharing program have not yet been made public. It is proposed, however, that over 100 categorical aid programs be consolidated into five areas of program support for elementary and secondary education. These areas will be vocational education, assistance to schools in areas affected by federal activities, compensatory education for the disadvantaged, education of children afflicted by handicapping conditions, and general support. In terms of its impact, special revenue sharing will presumably allow state and

local governments a wider latitude in the use of funds, but will not provide a significant increase in the level of funding. The $1 billion of new funds will be used to assure that local governments do not receive smaller amounts from special revenue sharing than they did under the existing categorical programs. Thus, states, counties, cities, and townships stand to receive both general and special revenue-sharing funds, while school districts receive only present funding under the name of special revenue sharing.

Arguments Pro and Con

The major arguments most frequently advanced for revenue sharing, and counterclaims to such arguments, are summarized as follows:

1. Proponents of revenue sharing claim that it is the key to reviving the American system of federalism. Its adoption will prevent the transfer of additional functions and responsibilities to Washington, and will give state and local governments the means by which they can assume their rightful place within the federal system. On the other hand, those opposed to the plan feel that revenue sharing will make the state and local governments more dependent upon the federal government, and rather than establish creative federalism, will establish a dependent federalism. This, in turn, will lead to a decrease in self-determination, and a greater reliance upon continued federal funding.

2. Revenue sharing, according to theory, will enlarge the options available to state and local governments to meet increased demands for services. It is argued that the present system of grants-in-aid is too restrictive and often results in local governments allocating resources merely to receive federal funds, without due consideration of local needs or priorities. Revenue sharing, on the other hand, would allow for local decision-making and an increased emphasis on programs of primary importance locally. Opponents reason that revenue sharing will lead to increased federal control of state and local activities. By accepting federal funds, they argue, the government will begin to add more and more restrictions on their allocation and use.

3. It is argued that adoption of revenue sharing will serve to prevent the further growth of complex grants-in-aid. Grant programs in effect at the present time are seen as too numerous for most local governments to distinguish and fully utilize the various programs available. The confusion, wasted effort, and lengthy delays inherent in the present system could be eliminated by channeling future aid to state governments through nonrestricted revenue sharing. Those opposed to revenue sharing believe that the present grant-in-aid programs have proven themselves over the years. They argue that the very success of the grant system has demonstrated that this is the best way to provide assistance to state and local governments, and at the same time to achieve national policy goals through such local effort.

4. Persons favoring revenue sharing argue that such a plan would contribute to a more progressive tax structure. Both local property taxes and state sales and income taxes lack the progressivity of the federal income tax. Utilization of this tax base for revenue sharing would reduce the pressure on those regressive taxes. On the other hand, many qualified tax analysts point out that state governments do not fully utilize the income tax, and that if they

did, there would not be a need for additional reliance on the federal government.

5. Revenue sharing plans are supposed to encourage effective taxation at the state and local level. Because a tax effort provision is included in calculating state shares of the funds, an effective and modern tax system is encouraged by this reward. This provision is also supposed to prevent the use of shared funds to reduce local taxes and thus defeat the intent of the plan. Nevertheless, some people believe that funds received under such a program will be used either to reduce taxes or to misuse them on marginal programs. Simply stated, this is the easy-come-easy-go argument.

6. Those who promote revenue sharing as an improved method of meeting state and local needs point out that the trust-fund approach is simple, automatic, and operates outside the annual appropriations procedure of Congress. To initiate a program, it is not necessary to create a new bureaucracy with extensive administrative procedures, but merely to let the states and localities determine for themselves what is needed. Others believe that state and local governments are not necessarily more responsive to the needs of people as is popularly held. In many instances, they claim, state legislative delegations and large urban governments are less responsive to individual needs than are the federal government and the Congress.

7. It is argued that the effect of revenue sharing will be to assist those states most deserving based upon need in relation to effort. Thus, politics will not be a factor in determining the distribution of federal tax dollars. Against this argument are the vested interests in existing categorical aid programs. It is believed that politicians who have become identified with a particular program will be reluctant to see its impact reduced at the expense of a general support revenue-sharing program. Further, special-interest groups fear they will be shortchanged in a redistribution of funds through revenue sharing.

8. In the event that federal income tax revenues accumulate in excess of expenditures, proponents offer a revenue-sharing plan as a simple means of recycling funds. Opponents argue that as a matter of practical politics, all politicians would rather vote for a reduction of federal taxes if a budget surplus appears imminent, than to vote for a new program of general government support. Additionally, the results of a revenue-sharing program would not be immediately visible to voters in the manner that benefits of categorical programs now appear.

9. Some people believe that revenue sharing linked to a program of governmental modernization will do much to improve both state and local administration. In fact, some believe this step in itself will have a greater impact than the actual funds to be shared. Those opposed to the plan believe that general-purpose revenue sharing will help to preserve obsolete local governments and impede governmental modernization because financial support will go to all units regardless of size.

Effects of Revenue Sharing

Where do all these arguments for and against revenue sharing lead? In terms of the three propositions stated at the outset, it seems evident first that the proposed general revenue-sharing plan of President Nixon will not in itself

solve the financial problems of state and local governments. Second, it is unlikely that $5 billion distributed among 50 state and thousands of local governments will significantly alter the structure of federalism in the United States. Third, the goal of achieving an equitable distribution of shared revenues apparently falls short when the funds are allocated to local governments.

In spite of these shortcomings and defects, the principle remains sound and could conceivably be modified or otherwise adapted to contribute significantly to these three objectives. A general revenue-sharing plan could, if it were of sufficient size, slow down the rate of increase in state and/or local taxes. In effect, it would be placing tax increases on the progressive income tax structure rather than on regressive property and sales taxes.

The trust-fund approach to revenue sharing has distinct advantages from the point of view of the state and local governments. Certainly, the predictability of an annual distribution, and the minimum of bureaucratic procedures needed to implement the plan are important features to local officials. Reduced Congressional authority over the expenditure of funds earmarked for revenue sharing does not appear to be significant. It is estimated that because of the continuing programs and long-term obligations of the government, the Congress currently has control over just about one-third of the federal budget. An increase of 1.3 percent in this figure cannot be considered a threat to Congressional prerogatives. It is equally difficult to conceive of state legislatures and city councils recklessly spending shared funds just because they were not responsible for levying the federal income tax.

Allocation of shared funds to the states on the basis of population and tax effort is generally agreed to be an equitable system. In addition to being a reasonably fair system, it could have the effect of prodding state governments to increase their own tax efforts. Unfortunately, equity stops at the state line. The distribution formula allotting to each local government a share of the pass-through funds in proportion to its share of total local revenues has the effect of rewarding those localities collecting the most taxes whether or not the taxes represent a reasonable effort to finance local services. In effect, the richer communities will get richer, and those that are poor, despite a genuine effort to raise revenue, will receive no reward for their efforts.

The incentive provision in the Nixon revenue-sharing plan (a 10 percent bonus to any state that adopts an alternative formula for the distribution of local funds) is supposed to encourage states to take the initiative in strengthening the fiscal position of their local governments, and to maximize the flexibility in use of payments under a revenue-sharing plan. Presumably, every state will want to take advantage of this provision of the bill—if not for financial reasons, then at least for obvious political ones. This provision in the plan is its route to achieving equity at the local level. It has yet to be demonstrated, though, that such a plan is capable of securing the necessary approval by the cities, counties, and townships of the states.

A revenue-sharing bill to be introduced by Senator Humphrey will include a provision that states must enact a master plan for modernization of state and local government and administration. Such a provision, although not a part of the Nixon bill, could become an important factor in congressional consideration and debate on revenue sharing. Depending upon the extent

of the provisions of a modern governments clause, it is entirely possible that it could ultimately have a greater impact on the structure of the federal system of governments than would the financial provisions of revenue sharing.

Other Plans

Revenue sharing is not the only means by which the federal government can assist state and local governments to meet their financial needs. Among the choices, four plans deserve attention.

The first such plan, and the one receiving the most attention currently, is a transfer of functions to the federal government. Representative Wilbur Mills has proposed, as an alternative to revenue sharing, which he finds objectionable, that the federal government assume all costs of welfare aid. Such a plan would relieve state and local governments of some $6.8 billion in current expenditures. Politically, this seems to be the ideal time to raise such a proposal. There is almost universal dissatisfaction with the present welfare system, and nationalization could quite logically be a first step toward a complete overhaul of the system. Although it is not a part of the proposed take-over, a logical follow-up of such an action is assumption by the states of school financing. Such a proposal has been made by the Advisory Commission on Intergovernmental Relations.

A second alternative to revenue sharing is the expansion, or full funding, of existing grant-in-aid programs. Because it is a time-tested manner for the distribution of federal funds to state and local governments, it is likely to receive less opposition than a new general aid program. Even so, this approach, like the first one, will likely result in a greater role for the federal government in state and local affairs. It would, therefore, violate one of the avowed objectives of giving financial assistance to states—a restoration of balance to the federal system.

A third alternative to revenue sharing is the tax credit. Several proposals involving different formulas for determining the amounts allowed under these programs have been made in recent years, but basically the plans are similar. All of them would allow individual taxpayers to credit dollar for dollar on their federal income tax return a portion of state income taxes paid. This is in contrast to the present allowance for state income taxes as a deduction according to one's tax bracket. The immediate effect of such a plan would be to reduce the total tax burden on the individual. In theory, the long-term effects of such a proposal would be to permit the states to increase their individual income taxes in proportion to the amount of credit allowed on the federal tax return. All this would be accomplished without increasing the total income tax burden on the individual. The plan would also serve as a powerful incentive to states without an income tax to adopt one, and to other states to make greater utilization of this source of revenue.

A fourth plan for assisting the states to meet their financial needs is contained in tax-sharing proposals. They would simply return to the state of collection a designated percentage of the federal taxes derived from them. Although this plan would achieve the purpose of assisting the states, it does not contain any provision for equalization and, therefore, actually tends to aggravate the fiscal disparities among the states.

Conclusion

In conclusion, the current debate over revenue sharing and related proposals offers three promising possibilities. First, Congressional hearings on these plans could bring about serious consideration and objective analysis of all the various methods of assisting state and local governments to meet their responsibilities under the federal system of governments. Second, the era of rapid growth of categorical grant-in-aid programs may come to a close, and be replaced by a simple, yet comprehensive and effective, plan for achieving national objectives through local action. Third, and finally, the Congress may develop a rational method for redistribution of revenues in an equitable manner to the mutual benefit of all levels of government.

Some Economic Considerations for Determining Additional Educational Expenditures

Irving J. Goffman

IT HAS LONG BEEN RECOGNIZED that education has numerous dimensions, not the least important of which has to do with economics. When much of the nation's conflicts, indeed some fundamental social crises, are not separable from educational institutions, it is not at all surprising that such institutions must seek to clearly articulate additional rationale for continued adequate public support. The educational establishment has often failed to provide sufficiently clear guidelines for legislative fiscal action. Too often it has relied upon irrelevant statistics and spurious or specious correlations. But it need not do so. By applying some of the criteria and analytical tools developed by social scientists, especially in collective decision-making, we may now be much closer to arriving at important public decisions in some scientific manner.

The object of this presentation is not to discuss current financing issues but rather to indicate the broad theoretical contributions which economists have been making in this realm. I shall discuss the strengths and weaknesses of two or three of the economists' tools which may be useful in determining the proper amount of expenditures for education. The material we shall use is extracted from a forthcoming National Education Finance Project volume[1] and will be limited to just a few of the many important concepts contained in it. Specifically I shall comment on the contribution of education to income and to the nation's capital stock and its economic growth. I shall also briefly comment on some of the spillovers, both social and economic, resulting from the output of the education industry.

Education as a Commodity

Education is a commodity, and the education industry currently absorbs about 7 percent of the Gross National Product. This industry produces an identifiable and salable product which even has a price. To this extent it is not different from, say, a painting or a movie, or even a 4-inch tie. But education is not simply a consumption good, for along with its personal short-run benefits and satisfactions, education has a long-run economic impact upon the one who is educated and his society. It affects, sometimes dramatically, the lifetime stream of income of the recipient in the same way that the ownership of a machine or land does.

The ownership of physical and financial capital provides the individual owner with an expected flow of income over time which is greater than his flow would be if he did not have this capital. The reason for this is that the

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presence of more real or physical capital improves man's personal productivity. Under normal assumptions, any increase in the capital-labor ratio contributes positively to the average productivity of labor. The same basic influence upon labor's income flow may be expected from education, for it, too, appears to contribute to man's productivity. Indeed, its effects are so analogous to almost all elements of physical capital that a whole school has developed around the concept which has become known as "human capital," and while several factors can enhance it, education is usually considered the major determinant of the size of the human capital stock. Human capital stock, however, is merely a component of the total stock of capital, and, therefore, the efficient allocative decision with respect to education is analogous to the allocative decision with respect to, say, plant expansion; that is, it is an *investment* decision. This approach—the human capital approach—assumes, therefore, that the form and amount of human capital can be altered by an appropriate investment; and since resources are scarce, efficiency dictates that the investment be made in accordance with the priorities set by the relative rates of return on all competing investment opportunities, human and nonhuman. In other words, the use of this concept dictates that additional investment funds flow to education *only if and when its rates of return exceed those in the rest of the economy.*

Within education the same principle can be applied to, say, prekindergarten and graduate work, or even to colleges of education and colleges of business administration. This would take a great deal more information than we now have concerning the likely impacts upon the expected streams of income which result from various investments; but such information is no less attainable than is the identical type of information necessary for decision-making with respect to physical capital.

Economic Efficiency in Education

How do we determine the efficiency of investments in a pipeline or a particular size pipeline? We do so on the basis of expected streams of net income with all the inherent uncertainties. This has worked quite successfully in a great many sectors for a long time. It certainly can also work in determining which educational investments in man should be encouraged when economic efficiency is the criterion. If the expected stream of income of physicists is lower than the expected stream of income of economists (and, incidentally, this is the case), education resources should be diverted from physics to economics. To do otherwise is to interfere with the optimum accumulation of human capital. Fortunately, such misallocation does not go on long since the market usually exhibits its self-correcting powers most strikingly. As the products dependent upon any man's intellect and skills yield less satisfaction to consumers, these products fall in market value and hence their producers experience a drop in lifetime incomes.

I suggest that traditional areas of agriculture and engineering are currently in this phase, and intelligent political decision-making would call for a very careful re-evaluation of related priorities. I suggest also that similar misallocations may have occurred with respect to *levels* of education. There is some evidence that rate of return on marginal investments in elementary and

high-school education are at least twice as large as the returns at the college level. But political pressures and noneconomic criteria may have forced us to disregard this situation.

Human Capital Approach to Education

In the forthcoming NEFP volume, Schultz, the leading figure behind the human capital approach to education, presents a rate of return profile of American education. Higher education in general, both undergraduate and graduate, shows a fairly stable return over time of about 15 percent, which is similar to the rate of return on investment in the economy as a whole. High school, on the other hand, shows a rising rate of return since World War II, upward of 25 percent for white males, while elementary schooling has been yielding well over 35 percent.[2]

I suggest that there has been serious misallocation in terms of this human capital approach with respect to educational investment in white suburban upper-middle-class schools. I suspect that the possible rates of return at the margin are very much higher in the black ghettos and the rural areas than in Scarsdale or Montgomery County. If so, there is sound economic reason for greater educational investment in these areas aside from any moral argument.

The concept of return on investment is not difficult to perceive. The present value of the expected future stream of income of a person is his human capital value. By examining the increase in that stock of value attributable to education, we may learn something of the nature of our policies in the past. Permit me to summarize them. First, we have invested a great deal in educational capital. Indeed, its rate of growth has been about twice the rate for non-human reproducible capital; Schultz estimates about 5 percent as compared with 2 percent in 1919.[3] Second, this relatively higher rate has persisted throughout the sixties. Third, despite its size and growth, the educational stock of capital is sub-optimal because too often economic efficiency has been ignored. Let me cite a few cases.

First: Unemployment often impairs the skills and reduces the knowledge an individual has acquired. Machines can be placed in storage for years; a corps of engineers or craftsmen cannot. To the extent that we permitted high levels of unemployment in the early 1960's and are doing so again at present, we are reducing the future capital stock of this country.

Second: Educational capital has a high rate of obsolescence. Although we still have much to learn about these processes, we do know that retirement, sickness, new techniques of production, changes in the demand for skills, advances in science and their applications in engineering—all render certain forms of human capital less productive and useful. Whether we should concentrate, therefore, on highly technical skills (to satisfy needs of the moment) or on general education and therefore on on-the-job training is still being debated among the professionals, though the generalists appear now to be winning. In this context we shall have to give thought to the short- and long-run tradeoff.

Third: The distribution of educational capital exhibits some possible inefficiencies as well. (a) Investment in education is weighted in favor of youth. They acquire new skills which often render the skills of the aged obsolete.

Along with economic problems, this tradeoff presents important policy problems which have to do with financing human welfare. (b) Much of the distribution of educational capital is a function of the distribution of personal income. Children of the poor are given less schooling and, as a rule, inferior schooling and probably incorrect schooling. We know that schooling is neither free nor equal. It is costly and probably should be much more directly subsidized on a basis inversely related to personal income though the reasons for this should be made much more explicit. (c) While the quantity of education has become more and more equalized throughout the country (in terms of average number of years of schooling and the number of days in a school year), the quality appears to differ greatly. But so much more research needs to be done with respect to the meaning of quality education. In my judgment, educators have grossly neglected the explicit meaning of the term "quality education" without which I simply would not know how to defend many of the additional funding requests which will continue to be forthcoming. More money may simply mean more spending, not necessarily more or better education.

We have saved for the last in this section the inefficiencies resulting from the human aspect of human capital; that is, the effect of social, institutional, and legal prescription and practice. The one overriding fact which renders human capital so different from physical capital is that a person cannot really indenture himself or encumber his human rights. If he does borrow for educational purposes, the lender does not have the control over his investment as is ordinarily the case. Thus, private lending in this sphere is naturally limited though imaginative suggestions have been appearing.

A second source of inefficiency in this context is the discrimination implied or overt against women, who, as a result, are undereducated and so often underemployed, and against racial minorities, especially blacks. Job and school discrimination reduces the economic incentives of these people to acquire the amount and quality of schooling they might otherwise have. If the rate of return on the additional cost of completing high school is 25 percent to a white schoolboy and near zero for a black one, economic rationale would predict the former to graduate and the latter to quit, or at least not try very hard. Work by Welch and Lassiter, among others, bears out the contention that substantial discrimination exists in the job and schooling markets and that it becomes more and more significant economically as educational levels increase.[4] For example, one study shows that for those who complete the seventh grade, racial discrimination costs the black $790 per year; but if he should complete high school, he pays $1,950 for his color.[5]

Granted that all these institutional, social, and legal phenomena reduce the efficient allocation of resources, how might they be remedied to some extent? Time does not permit us to do any more than list the areas for some imaginative improvement: much expanded use of private capital markets to provide loans to students, especially at the higher educational levels; greatly improved supply of information concerning alternative educational opportunities; and serious consideration of much greater consumer or student sovereignty in influencing decisions on investment allocation. There is widespread belief in the argument that student self-interest is sufficient to bring about greater school competition and hence more efficient allocation of in-

vestment resources to education. Perhaps this is why economists, from Heller and Samuelson to McKracken and Friedman, find the voucher scheme or at least some variation of it attractive.

Effects of Education on Economic Growth

Let us now turn to a related approach to the economic evaluation of education, an approach which focuses attention upon the aggregate economy rather than the individual's private income. I refer to the interest economists have demonstrated in measuring the actual effects of education upon the country's economic growth. Along with Schultz, Denison and Bowman stand out as the most important contributors to this discussion. Generally, economists tend to measure the growth impact merely by summing individuals' differential earnings attributable to increments of education. That is, they used essentially the same assumptions and data embodied in the human capital approach. The effect on the aggregate is simply the sum of the effects on the individuals. Therefore, any problems inherent in estimating individual rates of return are, therefore, embodied and perhaps magnified in the national estimates. On this basis, Denison estimated the educational component of growth for nine Western countries during the 1950's.[6] For some countries, including the United States, education is credited with as much as 0.5 of a percentage point of the annual growth.[7] What proportion this is, of course, will depend partly upon the size of the over-all rate of growth, and it is no surprise to find that countries with low growth rates during the 1950's exhibit relatively high contributions from education, while for countries with very high over-all rates, education may not appear too significant a contributor.

The most serious problem with such growth studies is that after giving due credit to all other identifiable inputs, the residual is credited to education. But this means that there is really no independent validation of the implicit hypotheses concerning the contribution of any of the factors to growth, and in fact it is possible to over-explain the growth where, for example, educational advance has been rapid and yet the economy has stagnated. Indeed, this is precisely what happens if we apply the Denison-type model to the Soviet Union in the 1930's.

What we need is a procedure which can circumvent such problems, and economists have now come up with a promising one. I shall not bore you with the technical character of this approach, which studies the aggregate production function econometrically, but preliminary results from the two or three completed studies appear to be most promising.[8] They show us that the evidence is present that education per se has explained some of the aggregate growth though perhaps not as much as economists once believed.

The reasons behind this contribution are in no way obvious. Much of this information still depends upon relative wage rates; for example, graduating more high-school students may contribute to growth figures when there are few high-school graduates, but as the number of these graduates increases, their relative wage advantage may decline (since they are no longer in scarce supply). Therefore, further expenditures on high-school education would not likely contribute as much to growth. And there is another element. As larger and larger majorities of each age cohort complete high school, those who

remain behind may increasingly possess less ability, or society tends to treat them as if they do. It would, therefore, be falacious to assume similar rates of return to additional high-school graduates.

These are important points for policy purposes. They bear out the fact that economic models at present tell us little, if anything, about the processes by which education may contribute to growth. In the judgment of many economists, they themselves, i.e., economic models, do not provide sufficient justification for further increased expenditures on education. All they tell us is that some of the unexplained components in a country's past growth is likely to have been due to educational changes and increases. At the same time, the dynamic process of growth and the change in the educational mix *make it dangerous to predict that further expenditures on schooling would be an efficient way to encourage growth.*

We need more specific empirical research on particular educational programs precisely along the lines of some of the studies sponsored by the National Education Finance Project. For it is such "micro" studies which may provide us with information concerning the way education really works upon man and his environment so that we may then have more solid basis for presenting educational policy to improve the country's economic lot and that of its citizens. For too long now, social scientists in general and economists in particular carried out their research and then prescribed policies completely oblivious to the other disciplines who often live next door. The fact that there has been a growing union between at least two disciplines, economics and professional education administration, is a very important development.

Other Grounds for Public Investment

The economic dimensions of education discussed thus far may contribute to the determination of the efficient allocation of resources, but neither the human capital nor rate-of-return approach nor the impact on economic growth provides a strong *a priori* efficiency argument for more public responsibility in education. That income increases with educational level merely suggests that optimum resource use and economic growth dictate that investment in education should take place but not necessarily by the public sector. Perhaps on the other grounds, i.e., noneconomic, such public investment should occur, but the factors we have discussed thus far are not sufficient conceptually for the support of more direct public involvement.

We need to demonstrate that while education is similar to movies or ties or even factories or machines, that is, typical private goods, it is also significantly different. For unlike such private goods, education yields benefits to others as well as to the student himself. Whether or not you yourself buy any more education, you may be better off simply because I buy more education. In the technical jargon of the economists, education exhibits externalitites or spill overs in that it affects people who do not choose to buy it directly. This is not true of 4-inch ties.

The significance of the presence of externalities is that a private solution will not be economically efficient in that external benefits (or spillovers) will not be included in the student's decision equation and, therefore, there will be underprovision of resources to education. In other words, the student (or

his family) may be willing to spend just enough to cover all the benefits he himself expects to receive. But what about secondary benefits received by others?To the extent that there is no adequate mechanism for charging for these benefits, they are simply disregarded. This results in under-allocation and, therefore, misallocation of resources.

What are these secondary benefits? Some are economic and others are social. The first type would include the view that education improves the environment in which production takes place, improves the plant coordination and discipline, permits much greater flexibility and adaptability, and, therefore, greater ability to recognize technical improvements and incorporate them into the production process. Also economic are the spillovers attendant on lack of education. The costs imposed upon all individuals as a result of unemployment and crime, for example, make it of economic interest to citizens at large to reduce these occurrences. To the extent that education contributes to their reduction, the employed law-abider has an interest in education decisions.

The second type of externality, namely social spillovers, also accompany education, but they promote noneconomic ends. These are, perhaps, the most significant effects of education, for they may be the ultimate hope for the preservation of a free and democratic society. For they teach us of the process of democratic institutions and an appreciation of them, and at least as important, if not of greater importance, they may well be the *sine qua non* for promoting equality of opportunity. Education appears to be the most effective instrument for compensating for a socially and economically inferior origin.

Given these externalities, an optimum resource allocation to education cannot be left to the happenstance of the market place. Instead, some publicly sponsored adjustments must continue to be made to insure an efficient solution as well as an equitable one. In my judgment, the further study of these benefits and costs, and especially their specification and quantification, is the most important work facing economists at the present. The professional literature is beginning to show clearly the appreciation for this point of view, and I feel confident that you who are policy-makers will, before long, find much use in our research. In some fields the analysis has gone far—in the defense sector and most recently in the area of health. The cost-benefit analysis which used to be limited to the Corps of Engineers, is now used extensively in determining the priority of health programs. There must be more of this in education.

Now is the time for collective decision-making to be based upon more scientific methods with results which will surely be more utility maximizing for both individuals and society. Whether or not this means greater gains in education will depend upon whether educators can improve the product and prove that our work is worthy of more of our country's scarce resources. You, who are the policy-makers, ought to insist upon this.

FOOTNOTES

[1]Johns, R. L. and others, editors. *Economic Factors Affecting the Financing of Education.* Gainesville, Fla.: National Education Finance Project, Chapters 2, 3, and 4.

[2]*Ibid.*, Chapter 2.

[3]*Ibid.*

[4]Welch, Finis. "Labor-Market Discrimination: An Interpretation of Income Differences in the Rural South." *Journal of Political Economy*, Vol. 75, June 1967. Lassiter, Roy F., "The Association of Income and Educational Achievement." *University of Florida Monographs*, Social Sciences, No. 30. Gainesville: University of Florida, 1966.

[5]Welch, op. cit., p. 239.

[6]Denison, Edward F., *Why Growth Rates Differ*. Washington, D.C.: Brookings Institution, 1967.

[7]*Ibid.*, Table 21-1, p. 298.

[8]Jorgenson, D. W., and Grilliches, Evi, "The Explanation of Productivity Change." *Review of Economic Studies*, 34:249-83; Autumn 1967.

School Budgeting: Introduction

J. R. Hamilton

THE PURPOSE of this session is to describe some of the best practices in school budgeting today, or the state of the art of school budgeting in fiscal year 1971. A description of the school budget process is appropriate here because the process contains all of the elements of educational finance discussed at previous group and general sessions. For example, we have heard discussions on revenue forecasting, federal and state aid, local taxation, goal setting, evaluation of program results, the use of automatic data processing, negotiations with employee bargaining agents, relations with the public, and review by elected and appointed officials.

The formal budget process generally contains the following five stages: formulation, review, enactment, execution, and evaluation. In many school districts, one budget stage overlaps another. For example, in Maryland, we were completing the evaluation stage for fiscal 1970 in the fall of 1970, we were half way through the current fiscal 1971 budget, and we were beginning the formulation of the fiscal 1972 budget.

Every participant in this conference probably has a list of the criteria he would like to use to judge "best practice" in school budgeting today. I would like to list mine. Since, to my knowledge, no school district has installed a complete Planning-Programming-Budget system, PPBS is not one of the criteria. The following seven points I submit are essential for best practice:

1. Program format should tie into Handbook II issued in 1957 by the U. S. Office of Education.
2. Budgeting should be by school.
3. All local, state, and federal funds should be appropriated.
4. Staff and parents should be involved in determining the goals and objectives of individual schools in the district.
5. Training sessions should be conducted for the staff directly involved in making the budget process work.
6. There should be a good faith attempt to promote understanding between the school district and locally elected officials who set the tax rate.
7. Personnel data systems, especially on certificated staff, should be automated.

This is not a sophisticated list. I suggest, however, that by using it, only about 10 percent of the school districts in the country could qualify for best practice. If I am right in this subjective assessment, we have a long way to go to improve most local school budgeting.

I would like to comment on five areas of school budgeting in which Maryland seems to exhibit best practice.

First, Maryland has a small number of school districts, only 24 to service a population of 3.9 million. Even better, the school district boundaries are coterminus with the 23 county boundaries, counties being our general governmental local political unit, and the City of Baltimore which does not share its control with any county. Maryland has no incorporated towns or townships to complicate the picture.

Second, all 24 local school districts are fiscally dependent; even though two counties have locally elected school boards, the boards do not set the tax rate. The budget process places schools on an equal footing with the other essential functions of local government such as public safety (police and fire protection) and sanitation. The mayor and county executives thus consider education one of their responsibilities.

Third, all local, state, and federal funds are appropriated. Prior to July 1, 1969, some school districts did not appropriate state and federal funds on the theory that the local tax rate was not influenced one way or another. The legality of a public official's spending unappropriated funds never entered into their reasoning.

Fourth, our General Assembly meets annually for only 90 days, between January and April. Budgets must be balanced and passed by the last day of the session. This time schedule leaves two and one-half months for local governments to refine their state aid estimates and set their own tax rates by June 30.

Fifth, we have a 5 percent state and 2.5 percent local progressive income tax. The governor's commission to study state revenues last week recommended raising the limits to 8 percent and 4 percent, respectively, for a total of 12 percent. This helps to account for the strength of educational finance in Maryland.

School Budgeting: Best Practice

Sol Levin

BEST PRACTICE is something in the far distant future for which you strive, otherwise you could not show any progress. Best practice is always open-ended and should remain so.

First I would like to briefly describe my school district so that you will know the basis for my remarks. It is about 30 miles outside New York City in a middle- and upper-class suburban community. It is an extremely rapidly growing school district, at one time the fastest growing district in New York State. It is eighth in size among the approximately 800 school districts in the state. It has 17,000 students, including a small black ghetto comprising about 10 percent of the student population. It spends approximately $1,800 per pupil. It is fiscally independent and has an elected school board. It has a tax rate of about $40 per thousand on equalized assessed valuation. The average taxpayer in our community pays approximately $1,000 on school taxes alone. Our school board approves a budget in April subject to public referendum in May.

I shall define the budget as a process that culminates in the adoption of a fiscal document that reports a plan for expenditure of funds equivalent to anticipated revenue, has a specified time frame, and requires some sort of legislative or public approval. That is a traditional definition of a budget. Budgeting in the Planning-Programming-Budgeting System (PPBS) is very elusive. It can be defined very narrowly as costing-out programs, or very broadly as planning a systems approach to planning the school system's destiny. Our budget development process is in a state of transition. Ours is one of the districts receiving publicity as doing something with PPBS. Our school board and most of our administrators have endorsed the concept of PPBS. We hope somehow to move in that direction. We are off to a good start with a little outside help, a $30,000 Title V grant. As a pilot system, this is our second year. Now we are trying to move forward.

Our budgeting artistry is new and improved. Some people consider PPBS as merely an incursion to be operated as a temporary nuisance which will be withdrawn as soon as the accountability movement has run its course. I am convinced, however, that PPBS is here to stay.

Our budget process cannot be described in chronology because several independent activities are taking place simultaneously in the process and at different rates of speed, and at certain points they intersect and interact. It would be interesting if someone would draw a diagram of how a budget process takes place. I think we all should. Our district uses an ad-type chart.

The process of budget development in our school system for the subsequent fiscal year begins in October and ends in May, we hope, with a public vote of approval. If anyone tells you that budgeting goes on 12 months of the year, do not believe him. You need a little respite after the battle. Of course, we are working with several budgets at once, with the budget of the current year at the same time that we are planning the next one; so we cannot look at it as a continuous process.

Planning the over-all strategy is step one. The first thing we do is to produce a calendar which lays out what to do and when. It includes the roles of the board, the superintendent with and without his cabinet, the construction division, the business division, the personnel department, the community relations department, and probably the most important one, the board's negotiating team. The next thing we do, and this is a business office function, is to prepare statistical back-up data for our days in court for discretionary and selected use by the superintendent as and where appropriate, by the board, by the negotiating team, and subsequently at public hearings. Included in these data are student enrollment projections, a 10-year experience chart of all expenditure and revenue categories on a per-pupil and percent-of-budget basis, expenditure data of selected comparable school districts, personnel inventory, and staff ratios.

The next thing that we do is budget prognostication—projecting the limits of fiscal elasticity in a world of political realism. The mechanics of the process, however, consists of constructing simple budget models against which to test the developing budget. This is important, for we also do not want anyone to get the idea that we have concluded the budget process before we have started it. This is an essential part of the budget process in a world of realism. How is this model built? The first part consists of the built-ins on which we will later build more. It includes the legally mandated expenses and what was given away at last year's negotiations. Basically it is last year's budget with certain required items automatically included. In the revenue part, we have certain assumptions—that the state aid will continue, that the previous tax rate will continue, sure revenues, and some surplus. Now that we have the must part of the model, we get back to the maybe part. This is the must-plus part, projecting negotiation results at the strike-limit level. Next, another maybe is the inflation adjustment for materials and services, a minor item. Then, of course, if we have additional children, we have to provide at least the same staff and service levels for them as for the continuing enrollment.

The next part, which I call flexing the muscles of professional commitment, is conjecturing the priorities for the new, the more, the payoff, and even the less. The maybe revenues are state aid increases, the elastic limit of the local tax generator, and then, of course, grants under the federal titles. This gives us the fiscal perimeters of the probable real-world budget.

How do we involve the staff after we have our maybe budget? Involving the staff used to be an act of *noblesse oblige*, a privilege granted by the superintendent to the staff because he was taught to do that in his professional training. Now, every employee has the right to be involved in this process. We consider that good. It is in this area that the greatest change has

taken place. However, we still have the privilege channel and the right channel. The privilege channel still continues and goes through the chain of command. The right involvement, of course, is through negotiations with all our various employee groups—administrative groups, principals, teachers, custodians, secretaries, bus drivers, and school lunch people. We use both channels with the same people and pretend they are different. For example, we talk with principals about new programs and get their ideas, and later the same day we sit across the table negotiating with them on the same issues. In the near future, students and parents will be involved and this will be good.

In the privilege approach through the normal organizational chain of command, we use the forum and individualized channels. The principals and other administrators have a general discussion of priorities and terms of change; then the principals and special-interest groups, for example, elementary principals, secondary principals, and supervisors and personnel involved in district-wide areas meet with their division people to discuss their general priorities. Their recommendations are recorded for the superintendent's information.

Through the individualized channel the staff makes individual requests for their school or their department. Because we are going PPBS, the budget request forms are designed to solicit requests for existing as well as proposed programs. This encourages involvement of people in the lower operating levels in the school structure, by school and by area of instruction. Other support program requests are submitted by the respective departments such as transportation. For new programs that are proposed or for significant changes, a program analysis is required.

Some allocation guides on a per-pupil or per-staff basis are used for certain continuing programs. However, these guidelines are subject to change on documentation of special needs. Per-pupil guidelines are used also for certain allocations to encourage schools to budget up to these levels. How the supervisors involve their staff is up to them, and, of course, this varies from school to school and from department to department. And while this privilege channel through the chain of command is going on, discussions are also taking place across the negotiations table.

How does the superintendent involve the board of education? He has approximately five meetings with the board as a whole and with his top administrative staff. He supplies statistical data, including student growth projections, revenue and expenditure projections, and statistics of comparable school districts. At this point the board is not involved with the minutiae of budget requests. During these five meetings we report to the board on the status of negotiations on items with major budgetary implications. From the board the superintendent elicits fiscal and program priorities. At intervals we prepare summations of budget requests based on the negotiation input. This year in the face of our fiscal crisis, the board has gone through the budget and raised questions. Finally, the superintendent tries to reconcile his position with the board's position in a budget package which he submits as his recommended budget.

What kind of planning are we doing? This is very important in PPBS. A program planning board, which consists of representatives of teachers associa-

tions and principals, and appointees of the superintendent, deals primarily with revising and updating subject-area content and materials. Anybody may submit requests. For example, if someone suggests that third-grade reading be changed and everyone agrees that is essential, the planning board appoints a subcommittee with the responsibility of investigating and producing the necessary curriculum change. Thus, proposals for new programs or major changes in existing programs are funneled through this board and through subcommittees assigned to the projects. This year, after about two years' work, the planning board came up with major changes in the entire reading program. It is producing a complete study, including a program analysis. Any building principal or department supervisor may submit a request through his organization channels or to the program planning board directly. Action of the planning board is strictly advisory.

The next procedure is to take all these requests from the individual schools, departments, and negotiating teams, and put them all together to test them against the maybe budget. The directors review this budget with the principals and supervisors. We tell them we have to get it down to district priorities. Here there is consideration of trade offs and cutbacks. As a last resort this year, we had to have across-the-board cuts. The departments must implement these cuts because they have to show their priorities which they may be covering up, considering everything as having top priority. Negotiators are then given the board's final negotiating position. At this stage there may be mediation and fact finding.

Now the final decision on the must-plus budget must be made. There may be very little, if any, new money available after we finish negotiating salaries, benefits, working conditions, the legal mandates, the inflation adjustments, and the provision for additional pupils. As long as employee unions continue to have their salary and benefit demands met, the remainder of the budget process is really academic. We have alternative considerations, we have trade off considerations, and these may be good. And then, when we start talking trade offs and cutbacks, we are right back at the same place—negotiating again.

Now the concluding process. The assistant superintendents submit to the superintendent their division and department final budget. The negotiating team submits contract settlements to the superintendent. There is a final exchange of points of view between the superintendent and his staff to see who can convince him that his priorities are the most important. The superintendent then makes his final decision on the budget he will submit to the board. The board may make some changes at this point. Then the budget is submitted to the voters. If the public votes down the budget, the board may implement what is called an austerity budget. This is 95 percent of the budget it started off with—last year's budget.

How do we involve the public? About one month before the elections, we mail brochures to every taxpayer in the community, and there are regular legally required public hearings. The administrative staff and board members meet with civic groups in all school buildings.

Now to conclude the budget process with a few observations about it and about two types of forces destined to completely change PPBS and employee

negotiations in the public sector. Interestingly enough, the thrusts of these two powerful forces are completely opposite. This is our delimma—PPBS has an output priority and negotiations an input priority. Despite all the lip service to the contrary, in negotiations teachers say, "You give us better salaries, better working conditions, make our classes smaller, and believe us we'll have better output." How to reconcile these forces will continue to be the key in implementing PPBS. But there are other problems that are not so basic. The legal structure of the budget and, probably more important, what I call the common law process—the common law attached to the budget. The fiscal year is a constraint on PPBS. It builds a wall of concrete around the budget and then becomes an entity separate from other budgets. It is like a boxcar—you fill it up, close it up, and move it along, and then along comes the next boxcar. PPBS is a continuing process with a long-range perspective. But how can you see through concrete walls to gain long-range perspective? The budget structure is internally so compartmentalized as to assure confusion about the true purpose of the budget. Handbook II, Revised, should open up the budgeting process. But that is not the important thing because I am convinced that we will have programmed budgeting very shortly, but we will not have PPBS for a very long time.

Another problem of PPBS is the accounting mentality being applied to budgeting. There is nothing wrong with the accountant mentality in the accounting office, but unfortunately, we have what I call incrementality in the education profession. It is typified by the self-contained classroom. We have a self-contained business office, we have a self-contained everything else. Everybody is self-contained. PPBS requires the open space school and the open space budget. It seems to me that is an essential concept to programmed planning for output.

Another problem is the illusion that PPBS can take place in every school system. If there is no provision for time, qualified personnel, and money assigned this task of planning, you can have no planning. You cannot teach a class, be on the phone continually with crises, as we are with bomb scares, and get your payroll out, purchase supplies, get new buses—you cannot do all that and plan! Every job description of a superintendent written to justify a high salary justifies it by saying that he plans. He does not plan. If he has time to plan, he has a very, very fine situation. In my judgment, planning and operation require special skills, and we better put the right people into each one of these positions. If we do not, we will not have PPBS.

PPBS has a long way to go. There is no instant PPBS.

PPBS: Relationship Between Objectives and Evaluation

Chester Kiser

THE PURPOSE OF THIS PAPER is to interrelate management by objectives with the use of program evaluation. References will be made to actual experiences with the Western New York PPBS Project. The discussion will include the state of the art of planning-programming-budgeting systems (PPBS), the conceptual framework for PPBS, management by objectives, evaluation of performance, and conclusion.

PPBS: State of the Art

Interest in adopting the systems approach[1] to school district operations appears to be growing. One manifestation of this interest is the attention many school districts continue to give to the implementation of planning-programming-budgeting systems.[2] After three years of widespread discussion of educational PPBS in the literature and at professional meetings, educators still flock in overflow numbers to hear presentations on the subject.

Hundreds of school districts have begun to implement PPBS. But as yet, no single school district is known to have fully installed a total planning-programming-budgeting system. It appears that the time-frame required for complete implementation of PPBS on a district-wide basis is at least five years.

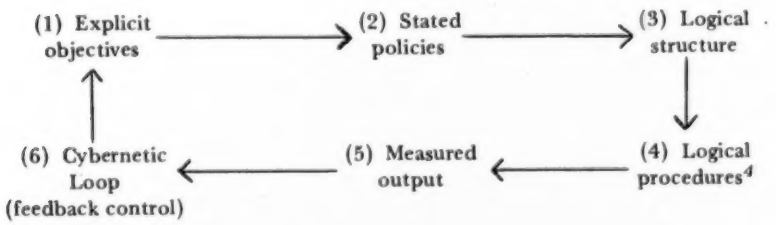
Various conceptual and operational models for educational PPBS have been developed.[3] They are in basic agreement concerning the use of systems theory and systems techniques to improve school district operations. The theoretical basis for educational PPBS, thus, has been well established. We now need empirical observations and careful analyses of the triumphs and pitfalls encountered by school districts as they begin to adopt PPBS. Although many districts are moving to implement planning-programming-budgeting practices, most districts still do not understand the nature of PPBS; they need thorough orientation before they can decide whether or not PPBS appears promising for them.

Conceptual Framework for PPBS

The remainder of this paper is based upon the perceptions and experiences of the staff of the Western New York PPBS Project. The aim of that study is to invent and field-test an operational model for the application of PPBS to local school districts. The target population comprises the 106 school districts in the eight counties of Western New York State.

The model postulates six process components to be found in any administrative system: (a) explicit objectives, (b) stated policies, (c) logical structure, (d) logical procedures, (e) measured output, and (f) a cybernetic loop

for feedback control. These administrative process components are shown below in graphic form:



These system components provided a framework for generating certain research and development questions that supplied specific direction for the development of the systems manual, which comprises the Western New York Operational PPBS Model.

Management By Objectives

A logical starting point for a PPB system, as indicated in the process model above, is with explicit objectives. Most school districts appear to be imprecise and non-explicit concerning their purposes. It may be harsh, but accurate, to say that the most common *explicit* objective to be found in many school districts is merely physical custody of children, 6 hours a day, 5 days a week, 40 weeks of the year.

But what is an objective? We have found the following definition to be useful:

Objective: a measurable result desired within a specified period of time. Its accomplishment closes a gap between the present situation and a desired situation, within a time-frame.

The development and statement of explicit objectives assumes the existence of well-defined organizational purposes known as goals. We have found it useful to define *goals* as follows:

Goal: A continuing purpose which provides a sense of direction through time.

Thus, goals typically are non-time-framed and general, whereas objectives are time-framed and specific. Historians measure goal attainment, but a system's present actors measure the attainment of objectives. Both goals and objectives should be explicated not only for the total school system, but also for each subsystem. Accordingly, each instructional subsystem, support subsystem, and command subsystem could benefit from explicating its purposes through explicit statements of goals and objectives. In industry, the Mustang division of the Ford Motor Company implemented management by objectives (MBO) and reportedly ascribes much of its immense success (the most successful automobile since the Model T) to the use of MBO.[5]

We find in our PPBS work that objectives can be classified usefully into two major types: end-result and facilitating.[6] End-result objectives specify in

measurable terms the distinguishable final products or outputs desired as a result of processing the system's inputs. For example, a school might establish an objective which specifies that within the next academic year, 90 percent of its average ability pupils, in contrast to the present 85 percent, will accomplish one grade level of learning achievement in mathematics, as measured by standardized tests.

A facilitating objective is a measurable, time-framed, *intermediate* aim that promotes attainment of an end-result objective. It can be process-oriented, e.g., related directly to improving operations; or it can be strategic in nature, e.g., related directly to minimizing or obviating an environmental constraint. Thus, facilitating objectives are means-oriented.

An example of a *process* facilitating objective might be to establish and operate during the next academic year an in-service training program for mathematics teachers to increase by three for each participant the number of alternative instructional procedures he can command to teach his particular classes, as measured by pre- and post-tests. This intermediate objective would be aimed at facilitating the end-result objective of increased pupil achievement in mathematics.

An example of a *strategic* facilitating objective might involve an environmental constraint on the school system's mathematics program, whereby parents repeatedly and vociferously attack the teaching of so-called "newer mathematics." A strategic objective might be to mount an information program during the next academic year to convince parents of the benefits to pupils of learning the newer mathematics. The measure of success would be a reduction by at least 70 percent in the number of complaints by parents about the newer mathematics.

We can see how this simple framework: Goals ⟶ Facilitating Objectives ⟶ End-result Objectives can discipline our thinking by focusing our attention concretely on our intents.[7]

Evaluation of Performance

For our present purposes, we shall omit discussion of the PPBS procedures necessary to implement objectives. We thus will consider all of those procedures as comprising the familiar "black box" which characterizes systems analysis at the macro level. Let us, then, proceed directly from the notion of explicit system objectives to consider measurement of outputs.

A manager cannot assume that the procedures which he has so logically designed will all mesh to produce the system's desired outputs. He cannot assume that because the organization continues to exist and appears to be humming, it is effective. He must monitor his system's outputs to determine their quality and/or quantity. Too often we tend to operate on institutional faith, hoping for effectiveness rather than controlling for it.

It usually is not practical for the administrator to check up on every item of system output. For example, it is not feasible for the principal of a 3,000-pupil high school to inspect every Friday the results of each pupil's weekly quiz in every subject, i.e., 15,000 quiz results. Nor would it be practical for the principal to receive and inspect at the end of the year 15,000 reports on pupils' accomplishments subject by subject. Consequently, the

administrator needs to invoke the cybernetic principle of variety reduction.[8] He must identify and measure one or a few characteristics of system output that will tell him whether the output accomplishes the intended objectives. This key characteristic is called the controlled criterion.[9] We may define *controlled criterion* as a quantitative or qualitative yardstick used to gauge the effectiveness of system output in accomplishing a system objective.[10] This criterion for system success must be chosen very carefully. It must be a correlate of the operating system, attesting directly to the system's health.

One useful method of expressing the controlled criterion is through a ratio. It is simple, quantitative, and serves to reduce variety. "The statistical analysis of a population of ratios (as opposed to a population of heterogeneous jobs) is a simple and rewarding exercise."[11] A well-known cybernetician, Stafford Beer, reports that a statistic he has often used with success for production systems is the ratio of planned time to actual time.[12] A school principal might use a ratio of planned pupil achievement to actual achievement, where, for example, the objective specified that 90 percent of business graduates would be able to type 50 accurate words per minute. A business administrator might use as a controlled criterion in his vehicle-maintenance subsystem a ratio of planned instances of vehicle disability to actual instances of vehicle disability. In a purchasing system, a useful controlled criterion might be expressed as the ratio of planned percent frequency of requisitioners' on-time receipt of materials to actual percent.

Evaluation in the Western New York PPBS Model—Our Western New York PPBS Model recommends decentralizing the measurement and evaluation of program outputs. This means that instead of imposing program evaluation from "on high," the work of developing objectives and related evaluation plans begins at the organization's grass roots, with program managers, and program element coordinators and their staff members, such as teachers. Participative decision making thus is encouraged. We think this approach to the setting of objectives and the evaluation of their outcomes tends to lessen apprehension, or even fear, of PPBS by staff members. We also think that this decentralized approach unleashes much creativity in the members of the organization.

In addition to a procedure for assessing the achievement of program element objectives,[13] the Western New York PPBS model also provides a procedure for appraising the effectiveness of program element support services. Each teacher or other worker reports periodically to his program element coordinator an evaluation of facilities, services, and materials supplied to help accomplish the purposes of assigned activities. The program element coordinator reviews these appraisals of support services and initiates any necessary corrective actions. Thus, in the language of cybernetics, the teacher or other worker is a *sensor* who measures and reports controlled criteria; and the program element coordinator is the *controller* who reviews reports of measured outputs and redirects action as necessary.[14]

Conclusions

The thoughts and information presented in the discussion of the preceding topics are synthesized below in a brief set of conclusions.

1. The relationship between management by objectives and program evaluation is direct. Explicit objectives provide a purposeful springboard to action. The resultant activities produce outputs which are measured and evaluated by comparing them with the initial explicit objectives. Any deviation from planned outputs specified by the explicit objectives calls for corrective action to maintain system stability or a reassessment of the validity of the objectives.

2. A systems framework is useful for gaining holistic perspective on school district operations. One systems model we have found useful in designing the Western New York PPBS Operational Model postulates the following process components of an administrative system: (a) explicit goals and objectives, (b) state policies, (c) logical structure, (d) logical procedures, (e) measured output, and (f) a cybernetic loop, for feedback-control. The last two components above comprise the function of evaluation. They loop directly back to the component of explicit objectives.

3. Our experiences so far in the Western New York PPBS Project argue for a decentralization of the processes of setting explicit objectives and evaluating program outcomes. Largely self-generated accountability subsystem by subsystem, or program by program, could sum to total school district accountability.

FOOTNOTES

[1]The systems approach to administration is a conceptual framework that provides a disciplined way of thinking about the totality of an organization and all of its interacting or interrelated elements. It is a point of view, in contrast to systems analysis which is a problem-solving methodology.

[2]A planning-programming-budgeting system is a comprehensive approach to decision-making that emphasizes: (a) long-range planning, (b) optimum program activities selected through a process of systems analysis, (c) economic rationality in the allocation of resources to competing programs, and (d) monitoring and control of program outputs.

[3]See, for example:

Advisory Commission on School District Budgeting and Accounting. *Planning-Programming-Budgeting Systems Manual for State of California School Districts.* Peat Marwick Mitchell & Co., June 1970.

Foster, Charles W., editor. *Report of the First National Conference on PPBES in Education.* Chicago: Research Corporation of the Association of School Business Officials, June 10, 1969. A final version of this model is scheduled for completion in June 1971.

Kiser, Chester, and others. *An Operational Model for the Application of Planning-Programming-Budgeting Systems in Local School Districts.* Williamsville, N.Y.: Western New York School Development Council, 1970.

University of Pennsylvania, Government Studies Center, Fels Institute of Local and State Government. *Planning-Programming-Budgeting Systems Procedures Manual for School Districts.* Philadelphia: Government Studies Center, 1969.

[4]Logical procedures specify and interrelate the process elements of energy, materials, and information. For a discussion of these elements, see: Johnson, Richard A.; Kast, Fremont E., and Rosenzweig, James E. *The Theory and Management of Systems.* Second edition. New York: McGraw-Hill Book Co., 1967. Chapter 6.

[5]For a discussion of management by objectives see: Odiorne, George S. *Management Decisions by Objectives.* Englewood Cliffs, N.J.: Prentice Hall, 1969. 252 p.

[6]Seashore, Stanley E. "Criteria of Organizational Effectiveness." *Modern Management: Issues and Ideas.* (Edited by David R. Hampton.) Belmont, Calif: Dickinson Publishing Co., 1969. p. 131-38. Originally published in *Michigan Business Review* 17:26-30; July 1965.

[7]This section on objectives follows closely the ideas to be presented in a forthcoming book by the author to be entitled *Educational Business Administration: A Systems Approach.*

[8]Beer, Stafford. *Cybernetics and Management.* Second edition. London: English Universities Press, 1967. p. 218.

[9]Johnson, Kast, and Rosenzweig used the term "controlled characteristic," or "condition." See: Johnson, Richard A; Kast, Fremont E; and Rosenzweig, James E. *The Theory and Management of Systems.* Second edition. New York: McGraw-Hill Book Co., 1967. p. 73 and 78-79.

Optner used the term "criterion," or "criteria." See: Optner, Stanford L., *Systems Analysis for Business Management.* Second edition. Englewood Cliffs, N.J.: Prentice-Hall, 1968. p. 74-76.

[10]Adapted from: Optner, Stanford L., *Systems Analysis for Business Management.* Second edition. Englewood Cliffs, N.J.: Prentice-Hall, 1968. p. 74.

[11]Beer, Stafford. *Management Science: The Business Use of Operations Research.* Garden City, N.Y.: Doubleday & Company, 1968. p. 150.

[12]*Ibid.*

[13]A program element is a subdivision of a program. For example, a business education department might constitute one program element in a secondary-school program. A subprogram element could represent a further subdivision, for example, typewriting or bookkeeping.

[14]For a discussion of these cybernetic notions see: Johnson, Richard A.; Kast, Fremont E.; and Rosenzweig, James E. *The Theory and Management of Systems.* Second edition. New York: McGraw-Hill Book Co., 1967. Chapter IV.

Revised Handbook II

Allan R. Lichtenberger

AT THE TIME of this Fourteenth National Conference on School Finance, a look at the project to revise Handbook II is an exercise in review of what has been done, and a glance at what will be done. The emerging manual is in first-draft form, and is now being rewritten into second draft.

We emphasize that the project to rework old Handbook II is a cooperative one. It is not easy to describe how "cooperative" the effort has been, but the fact that hundreds of people have had some part in the work is about the best evidence to be presented. This has been brought about in 15 conferences and many, many interviews and discussions.

The national review committee deserves much credit. It consists of representatives of these organizations: American Association of School Administrators, American Economics Association, Association for Educational Data Systems, American Institute of Certified Public Accountants, Association of School Business Officials, Council of Chief State School Officers, Research Division of NEA, Rural Education Association (NEA), and National School Boards Association.

In each conference, reference has been made to the fact that the American Institute of Certified Public Accountants has served only in a consultative capacity. It has performed its assignment extremely well, and in a thoroughly professional manner.

The national review committee would be quick to give credit for a great deal of work on the manual to many persons not specifically appointed to serve on the committee. Included are staff in the U. S. Office of Education, specialists in state education agencies, and practitioners in school systems. Furthermore, significant service has been provided by members of the contractor's staff.

There have been three conference meetings of the national review committee, and 10 regional conferences, all designed to review critically all developed materials. By early in 1972, the manual should be completed. Implementation then becomes the focal point of effort.

Behind the development of Revised Handbook II are years of experience, and all of the requirements and principles discovered and developed through the past 20 years. The book must serve all sizes and types of school systems, must help meet their ranges of management needs, support various management systems, provide a capability of aggregating data, and conform to accepted accounting principles. These are fairly husky demands.

Beyond such demands, however, there is a need for setting a design for a capability of relating finance information to other files of educational data,

and to interrelate data among all of the files. Consequently, the new handbook is structured to establish such a design through linkages from the finance information files to any of the other files where direct cross-walking is possible.

If a diagram is portrayed to illustrate such a concept, it could begin with a curriculum situation in which a course, or a section of a course is being handled by a teacher teaching pupils in a space (such as a room), assisted by a teacher aide, all as part of a project or program.

Handbook VI, *Standard Terminology for Curriculum and Instruction in Local and State School Systems*, is the source of descriptors of the course, its content, and the program. In other words, these come from the curriculum file.

Information about each of the pupils in the course is in the pupil information file, represented by Handbook V, *Pupil Accounting for Local and State School Systems.* These data can be associated with the course and the program.

In a similar manner, information about the teacher, the teacher aide, or any other staff assigned to work with the pupils in this educational effort is in the staff file from which it may be drawn for various purposes related to the course and program. The staff information file is based on Handbook IV, *Staff Accounting for Local and State School Systems.*

Because the staff and pupils are together in a place, using equipment, there is need for information about the space and "things" used to serve the purposes of the course, the pupils, the staff, and the program. Thus, there is the file of property information to which staff and managers may turn for important information. This file is founded with the help of Handbook III, *Property Accounting for Local and State School Systems.*

The course and the program of which it may be a part, are not likely to operate without funds to pay for the resources essential to such operation. Here, of course, information in the finance file comes into the interrelationship. It is intended that this file be based on Revised Handbook II.

Here, in one way, the concept of a comprehensive system of educational information is visualized. In this entire configuration of file information, interrelated to produce aggregates of data in myriads of ways, the file of information about the community in which a school or school system is located is being seen as increasingly important. Handbook VIII, a manual designed to classify and define descriptors of community characteristics, is now being developed to serve the construction of such files.

Clearly, Revised Handbook II, a manual of standard terminology for use in school finance record keeping, cannot contain all of the data included in all of the various files. It represents one file from which there are logical linkages directly to some of the files, indirectly to others. This concept is basic to an understanding of Revised Handbook II.

Revised Handbook II will display balance sheet account items and terms. This treatment, in the early part of the publication, suggests that the revision is definitely oriented to school finance accounting on a type of accrual basis. The new handbook, however, will not serve the many school systems which maintain their school finance records on a cash basis.

For each fund, the balance sheet items include assets and other debits allowing for reporting of both fixed assets, and assets other than fixed. In the same manner provisions are made for reporting liabilities, reserves, fund balance, and other credits.

Balance sheet accounts and their items were not shown in original Handbook II. In the long-established cooperative approach to development of standard educational terminology, agreements as to what should be included in the handbooks are just as definite concerning exclusions. In the middle years of the 1950's, the idea of balance sheet accounts in school finance reporting was not believed worth much consideration.

Early in the discussions of a revision of Handbook II, it became evident that many school business managers wanted the new manual to include items and terms, defined, for use in balance sheet acounts. Their application is a matter of decision at local school system levels. They are critically a part of control of funds, and in many school systems are essential for management purposes. Balance sheets have value in that they are a means of getting an accuarate picture of the financial position of a school system.

A school system derives its money from various sources. An accounting for revenues is essential. Revised Handbook II will provide four main headings for classifying money income in records.

These revenue classifications are revenue from local sources, revenue from intermediate sources, revenue from state sources, and revenue from federal sources. Each major classification is subdivided, and, as has always been true, school systems and states may make further subdivisions of the revenue accounts according to their needs and unique circumstances.

Under revenue from local sources, allowance is made for classifying all such local revenues as taxes, those ad valorem taxes levied by the school system, or by another governmental unit; sales and use taxes; income taxes; other taxes; and penalties and interest on taxes. In this local revenue classification, also, are provisions for recording appropriations received from other local governmental units through appropriation, tuition receipts, fees received for transportation, earnings on investments, and income from food services and from pupil activities.

The records necessary for recording local revenue are extended to include a comparatively broad range of school system income such as rentals, contributions, sales of fixed assets, refunds from prior years' expenditures, transfers, sales of bonds, and miscellaneous receipts.

A pattern of revenue classifications applies fairly uniformly over intermediate, state, and federal sources, each to be subclassified according to the nature of the revenues. The principal classifications are unrestricted grants-in-aid, restricted grants-in-aid, payments received in lieu of taxes, and direct expenditures for and on behalf of the local school system.

General state aid received by a school system to be used for general operation purposes is an example of an unrestricted grant-in-aid. State money received by the school system for specific or categorcial purposes, and no other purposes, is referred to as a restricted grant-in-aid.

In the revenue classifications the provision for recording as revenue payments of money for and on behalf of the school system by the state, for

example, is simply a way of recognizing all of the funds dedicated to the purposes of the school system. When the state makes payment to a state retirement fund for the school system, it is a revenue for the school system, and an expenditure. For purposes of developing a most nearly accurate picture of the school system's financial operation, both the revenue and the expenditure would be recorded as if the school system had received and expended the funds itself.

We have talked about balance sheet accounts because, in any accounting for funds, that is where a beginning must be made. We have reviewed revenue accounts, for if an enterprise is to operate, it must receive money. We now look at those classifications which have to do with expenditures of money by the school system—classification of expenditures.

Revised Handbook II, in first draft, sets forth 12 expenditure classification dimensions: fund, fiscal year, instructional organization, function, object, source of funds, term, facility, scope of service, activity assignment, subject matter area, and special or specific cost center. For basic, essential accounting for funds, and in addition to recording of revenues, records of expenditures classified by object, by fund, and by dates of such expenditures, are imperative.

While the order of actual recording seems to be unimportant, let us begin with "object."

An "object" is simply a descriptor of what is bought when an expenditure is made. These are "things" and services. "Salaries" are almost invariably shown as an object. The true object is personal services, but our first draft holds to custom and shows salaries. Other main classifications of objects are employee benefits, purchased services, supplies and materials, capital outlay, other expenses, and transfers.

When we reflect upon how long it has taken us to grasp and understand the concept of objects and their classifications, there is a fairly clear indication of the depth of problems to be faced in other classifications. The total of all objects purchased is the total of all expenditures or of obligated expenditures for any period of time.

Most school system finance records are divided into funds. A fund represents the financial operation of an entity of operation of the school system, and it reflects its own receipts, expenditures, and balances. In effect, it is "a little business," part of the total business of the school system. Each fund offers a possibility of better control of monies than would prevail if the whole operation were treated as one fund. Generally, capable school business officials agree that as few funds as needed be maintained. Many of our traditional funds in school finance accounting are mandated.

The most common funds are general fund, special revenue fund, trust and agency fund, debt service fund, capital project fund, food services fund, student activity fund, fixed assets group of accounts, and general long-term debt group of accounts.

When expenditures are made, they must be classified by fund. With accurate documents of record showing revenues, and expenditures by object and classified by fund, most traditional money audit requirements can be satisfied.

Usually, the recorded date of an expenditure transaction identifies the transaction with a fiscal year, but not always. An obligation to pay may be established during one fiscal year. The actual payment may be made in another fiscal year. In view of laws and applicable regulations, the transaction "belongs" to one of the fiscal years. Thus, there is a dimension in the new manual for indicating such fiscal year.

Many school systems are now doing their finance accounting on the basis of object-function identification of expenditures. We have discussed object identification. Function classifications indicate major operational efforts: instruction, supporting services, community services, and nonfunctional costs. Each of these is subdivided into subfunctions or areas of responsibility.

Instruction, as treated in Revised Handbook II, is intended for classification only of direct expenditures for the direct services of teaching—the teacher-pupil interaction. Here would be classified salaries of teachers, salaries of teacher aides, teaching supplies, and any other direct expenditures for the direct services of teaching.

The first draft of Revised Handbook II indicates instruction subdivided into four major program areas, namely regular education, occupational education, special education, and continuing education. These are defensible in many ways. At the same time, their inclusion in the function dimension has been questioned. Also, there is a problem in the fact that continuing education and the other categories are not mutually exclusive.

As supporting services, a function classification, now appears in the first draft, there are three subfunctions: pupil personnel services; instructional support; and general support. This break-out has been constructively criticized, principally on the grounds that in some degree all of the supporting services "support" instruction, either directly or indirectly. One needs only to consider the traditional pupil personnel services, namely, attendance and school social work services, guidance services, school psychological services, and health services to grasp the merit of this argument. In all probability, supporting services, while including all of its present items, will be restructured in the completed manual.

Community services will be included in revised Handbook II, much as the same function appeared in the original manual. With this function, as with all of the others, the problem of assigning specific management responsibilities is not solved by establishing a subfunction for service management responsibilities in the structure. To do so tends to suggest administrative organization, a subject quite outside and beyond the purpose of the new handbook.

Until more is written about effective school system operation of community services, there is little point in making changes in this function. While the function community services must be included in the manual, its presence as a category, not importantly related to the regular instructional effort of the school system, reflects something of the need for study of both school and community roles in education in this country.

Non-programmed (or non-function) "expenditures," are those payments of money through the business operation of the school system acting as a conduit. Payments to other governmental units, or transfers of funds, are classified as such expenditures.

We have, to this point, reviewed expenditures dimensions: object, fund, fiscal year identification, and function. Theoretically, all expenditures would be classified in each of all of the other eight dimensions excepting activity assignment. Practically, this may not be done, but it is an essential for the object, fund, fiscal year, and function classifications. Consequently, the separate totals for each of these dimensions at any time should be identical.

Beyond the four basic classifications (object, fund, fiscal year, and function), the primary purpose of further classification of expenditures in still other dimensions is that of providing management information. To some extent, however, fiscal accountability is also served. One of those dimensions is instructional organization.

The instructional organization indicated in the first draft of Revised Handbook II (elementary school, middle school, secondary school, vocational-technical school, and junior college) are not likely to "stand up." This matter of classifying American education organizational units according to traditional concepts is one of the most frustrating in all of our attempts to categorize information in comparable form. Nearly all of our old ideas of precisely graded elementary and secondary schools with their annual promotion and nonpromotion patterns are anachronistic, geared to an age long gone.

Of central importance is a recognition of the organizational units as they do exist in a specific school system. To these, *as they do exist,* expenditure transactions are to be related. This is the purpose of the dimension, instructional organization. Some expenditures cannot be directly related to units of instructional organization.

As long as categorical aid is a fact, any expenditure of money representing such aid should be noted in terms of its source. For this reason, there is, in the new handbook, a dimension called source of funds. Clearly, when some monies such as categorical state and federal aid funds are comingled and provided local school systems without precise identification, the local school systems can only wait until such time as percentages are reported to show such division in their accounting totals.

At the present time, the first draft holds an expenditure classification category called term. For management purposes it has merit. The management of a school system has reason to know about expenditures totaled according to regular term-day, regular term-evening, summer term-day, summer term-evening, or for any other existing break-out of time.

There is major need in management to associate expenditures with specific places—with the sites of impact. Revised Handbook II sets forth a dimension called facility in which sites, buildings, schools, and the like can be identified with expenditure transactions. Making cost centers of schools and other locations is clearly a process of service to management.

A dimension with the heading, scope of service, was introduced into the complex of records with the development of Handbook IV, *Staff Accounting for Local and State School Systems,* where it applied to staff assignment activities, indicating their scope as system-wide, less-than-system-wide but more-than-single location, or single school or other facility. At the early stages of roughing in the structure of revised Handbook II, this dimension was

included, principally to emphasize the comprehensive nature of an ultimate pattern of educational accounting. The dimension is not essential, but through 14 conferences there has been resistance to taking it out of the draft of the book.

There is in the first draft a dimension labeled activity assignments. Its items are staff activity assignments. Here is a cross-walk to the file of staff information. Unfortunately, the concept of expressing staff assignments in gerund form, wherever possible, was overlooked in the draft. There is no "accountant" assignment. It is "accounting." There is no "teacher" assignment, it is "teaching." This oversight will be corrected in second draft. For linkage purposes, this dimension relates primarily to those objects concerned with salaries.

The dimension, subject-matter area, is a cross-walk to the curriculum file. Only the 22 subject matter areas identified in Handbook VI, *Standard Terminology for Curriculum and Instruction in Local and State School Systems,* are shown. Logic is involved, namely, that of a possibility of identifying expenditures with the development of pupils in the areas of knowledge and competence we have through at least 100 years come to know as the curriculum. A school system can subdivide this dimension to any degree of detail.

With this dimension, Revised Handbook II terminates its distribution of expenditures, both direct and indirect. In the dimension, special cost center, there is opportunity to redistribute expenditures in cost centers which the management of the school system may identify in terms of identified objectives. These would represent "programs" in a deliberate sense.

Repeatedly, there is the question, "What about the implementation of Revised Handbook II?" More than an implementation of a school finance manual is involved. It is a matter of implementing a comprehensive system of educational information, one of building the files of information about school finance, school property, staff members, pupils, curriculum, and community information, and of interrelating them in myriads of ways to serve management, to answer questions, to develop insights into learning and how what is done makes a difference. There is emphasis on records geared to a way of thinking about education.

This concept of a comprehensive system of educational information is not one which can be implemented in a year or two years. In our environment of change it will probably go on and on.

Where should a beginning be made? Answers may vary. There can be the argument that pupils are of first importance, and that the pupil information file should be given first attention. It is not an easy argument to refute.

Others may believe that, since staff and pupils must be some place, the property file is in high priority. There can be the same kinds of discussions about placing the curriculum file, or the community data file first.

In a way, this kind of debate is academic. All of the files should be developed together. It is a fact, however, that school must operate come Monday, and there will be bills which must be paid. The finance file is a bully by nature. So build it! Build it to serve you.

Imagine that you are starting "from scratch." One of the first steps would be to discover balances. Set up a way of identifying the financial

position of the school system at any time. This is in the area of balance sheets. It would be a good idea to find out which *funds* are essential, and to establish a clear understanding of revenues, their sources, and when to expect them. As long as the beginning is being made with a clear slate, the chart of accounts, based on Handbook II, Revised, can be set up as if the full range of expenditure dimensions is to be maintained. Decision as to how many of the dimensions are to be used must be based on an assessment of accounting resources.

As a bare minimum, can this be less than object, fund, function, fiscal year, instructional organization, and facility? Probably not. This bit could be handled with relatively unsophisticated equipment, or even manually, in many school systems. It would provide, however, only a minimum of management information.

But, before more plans are made, would not this be the time to establish a double-entry system of financial bookkeeping, one set up to show expected revenues, and to show encumbrances; in other words, a self-balancing set of books? We are talking about accounting on a modified accrual basis. True, until some states permit (or require) their school systems to report on any other than a cash basis, the school systems must report on that basis. This does not mean that the school systems must be bound to cash basis accounting, probably the most frustrating way of keeping records one could devise.

To move to double-entry, accrual-based accounting, carefully prepared basic records of receipts, expected revenues, expenditures, and encumbrances are essential. From these, proper postings in books of account can be accomplished in an efficient manner. A capable high school graduate who has had courses in elementary bookkeeping can show how to debit and credit entries. One person has said he knows that debit is away from the window, credit toward the window, and he will never turn his desk around.

The system can be made to work. It can be made to serve management through the accounting outputs it produces. As it works, it can grow through linkages to other files—the staff file, the curriculum file, the community information file. Ultimately, the structure can reach to entities of operation closely associated with objectives, purposes, what the schools and school systems are truly trying to do, an accounting by program.

Beyond the bare minimum of financial accounting, the expansion of the system depends upon a sensitivity to need, a sense of order in planning, scheduling, allocating of resources, and evaluating results of effort in terms of most effective ways of helping pupils mature, grow, and learn.

If I have not made the point that Revised Handbook II is directed to more than the mechanics of recording receipts and expenditures in the operation of a school system, I have failed in my central purpose. Beyond an orderly record of school finance transactions, based on accepted and recognized principles of finance accounting, the design of the manual is in a pattern which facilitates uses of all educational data in management. It suggests a way of thinking about and looking at what people in schools, in the school system, are truly trying to do.

By no process of thought can the implementation of this entire concept be seen as an inexpensive undertaking. Genuine accountability does not come

at bargain prices. We are set in a direction of improved, more detailed accounting in education, regardless of our current capabilities and their degrees of adequacy. Accountability is not likely to be a temporary binge. There will be costs. Revised Handbook II should help to make the transition reasonably orderly, and this is a step toward efficiency.

Impact of Program Cost Differentials

William P. McLure

THE TERM *program* is used as a descriptor of an unlimited variety of activities. There are highway construction programs, conservation programs, anti-pollution programs, and on ad infinitum. In education there are guidance programs, health programs, elementary education programs, reading programs, science programs, vocational programs, special education programs, and on again ad infinitum.

For purposes of cost analysis, a program in education may be defined as a category of activities designed to meet the needs of an identifiable group of pupils. Further qualifications are that the category must be operationally feasible from the standpoints of the learner and the school system. The category must be suitable for diagnosing the needs of learners, organizing and guiding their learning activities, evaluating the instruction and other intervention of the system, and pricing the costs of inputs.

I am using the term *cost* to include only the current operating expenses of the school system. Private inputs of parents and pupils, and foregone earnings of pupils, are excluded. The cost of capital outlay is not included in allocations to programs because appropriate methods of analysis have not been developed for this purpose.

The Program Design

The data for this paper have been taken from the current National Educational Finance Project. I have selected three sample school districts of this project for illustration: a central city, an adjoining suburban district, and an isolated district in a sparse area. The program categories and the aggregate measures of program inputs are shown for these districts in Tables 1, 2, and 3, respectively. Eight programs are designated for early childhood and elementary education and five for secondary education.

We have used the concept of *need* for identifying the target population that is enrolled in the present programs, and also for estimating the number of pupils who should be in the respective programs. In each of these tables, column 2 shows the actual enrollments of pupils in respective programs for 1968-69. Column 3 shows the estimated number who should be in each program. The basis for estimating the number in each program will be explained as I proceed through this discussion.

Column 4 shows the average per-pupil cost differential for each program in relation to the unit value of 1.0 for the basic or regular program in grades 1

through 6. The enrollments in the basic program are determined after subtracting the enrollments of pupils in special programs from the gross total.

In all programs, except vocational education, the pupils are treated as full-time equivalents. All resources, including staff, instructional materials, and other expenses are prorated to these respective programs. It has not been possible to subdivide each program into basic and special components, except in vocational education. In this program there are two components which lend themselves to meaningful distinction: vocational courses and basic education courses. The cost ratio for this program applies to the pupils in the program with an average mix of 0.45 FTE (full-time equivalent) for vocational courses and 0.55 FTE for basic courses.

Columns 5 and 6 show the number of weighted pupil units in relation to columns 2 and 3, respectively, after applying the average cost differentials in column 4.

The cost differentials for secondary education relate to the value of 1.0 for basic elementary education. There are at least three reasons for assigning the unit value of 1.0 to grades 1-6. First, this is a feasible base for gathering dependable data. Second, early childhood programs in the prefirst-grade range are not fully developed. Some districts in a few states do not operate kindergartens. Prekindergarten programs are found only in an early experimental stage. Third, a distinction between elementary and secondary levels provides a basis for keeping track of the flow of pupils in the special programs. For example, there is the strong presumption that the numbers of pupils with learning difficulties might be smaller in the secondary grades than in the lower grades, especially if the programs in the lower grades are effective. This division by grade level might provide a basis for organizing information bearing on the performance in the programs.

Now, I shall proceed with a description of each program and the bases of estimating needs and costs.

Early Childhood Education

Parent programs, nursery school, and kindergartens are designated as programs or program components for early childhood education. This definition satisfies the general criteria set forth in the National Educational Finance Project for categorizing programs. Some specialists in education claim that early childhood education should extend from infancy through ages eight or nine. This would include the first three grades of elementary school. If this proposition becomes the guiding principle for organizing and operating a distinctive phase of educational activity, the categorical structure presented here can be adjusted accordingly. All categories are considered flexible enough for modification as justified by knowledge and experience.

The parent program is an organized activity of instruction and interaction between the teachers of young children and the respective parents. Research and experimentation demonstrate conclusively that parents can be given some specific guides for their intervention in the home that will contribute significantly to the development of their children. Evidence indicates that some investment in the training of parents to work with children who have serious

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TABLE 1.—AGGREGATE MEASURE OF PROGRAM INPUTS IN A CENTRAL CITY, 1968-69

Program	Number of pupils enrolled (head count)	Total need (estimated number in need of program)	Average per-pupil cost differential	Number of weighted pupil units in present programs (col. 2 X col. 4)	Number of weighted pupil units for total need in programs (col. 3 X col. 4)
1	2	3	4	5	6
EARLY CHILDHOOD AND ELEMENTARY EDUCATION					
1. Parent education program* ..	0*	418*	1.40	0	585
2. Nursery school (3- and 4-year-olds)	0	2,788	1.400	0	3,903
3. Kindergarten	2,788	2,788	1.298	3,619	3,619
4. Subtotal	2,788	5,994	...	3,619	8,107
4. Extended day care program	...	...	1.298	...	...
5. Special education: severely handicapped: mentally and physically (grades 6 and below)	369	525	2.551	941	1,339
6. Compensatory program: remediation for emotional educational difficulties (grades 6 and below)	2,238	5,737	1.680	3,760	9,638
7. Detention schools: severely maladjusted socially and emotionally (grades 6 and below)	0	49	2.954	0	145

8. Basic education (grades 1-6)	13,785	10,081	1.000	13,785	10,081
II. Subtotal	16,392	16,392	...	18,486	21,203
SECONDARY EDUCATION					
9. Special education: severely handicapped: mentally and physically (grades 7-12)	361	515	2.029	732	1,045
10. Detention schools: severely maladjusted socially and emotionally (grades 7-12)	0	48	2.656	0	127
11. Compensatory programs: remediation for emotional educational difficulties (grades 7-12)	752	4,024	1.832	1,378	7,372
12. Vocational education (grades 7-12)**	3,324	3,324	1.515	5,036	5,036
13. Basic education (grades 7-12)	11,660	8,186	1.280	14,925	10,478
III. Subtotal	16,097	16,097	...	22,071	24,058
IV. Grand total	35,277	38,485	...	44,176	53,368
V. Ratio	1.000	1.000	...	1.252	1.387

*One FTE pupil enrollee equals 10 parents.

**Average course load per enrollee equals 0.45 FTE vocational courses and 0.55 FTE basic courses.

TABLE 2.—AGGREGATE MEASURE OF PROGRAM INPUTS IN A SUBURBAN DISTRICT ADJOINING CENTRAL CITY, 1968-69

Program	Number of pupils enrolled (head count)	Total need (estimated number in need of program)	Average per-pupil cost differential	Number of weighted pupil units in present programs (col. 2 X col. 4)	Number of weighted pupil units for total need in programs (col. 3 X col. 4)
1	2	3	4	5	6
EARLY CHILDHOOD AND ELEMENTARY EDUCATION					
1. Parent education program* ..	0*	776*	1.40	0	1,086
2. Nursery school (3- and 4-year-olds)	80	5,175	1.400	112	7,245
3. Kindergarten	4,875	5,175	1.298	6,328	6,717
I. Subtotal	4,955	11,126	...	6,440	15,048
4. Extended day care program	...	...	1.298	...	...
5. Special education: severely handicapped: mentally and physically (grades 6 and below)	336	686	2.551	857	1,750
6. Compensatory programs: remediation for emotional educational difficulties (grades 6 and below)	113	4,610	1.680	190	7,745
7. Detention schools: severely maladjusted socially and emotionally (grades 6 and below)	30	31	2.954	89	92

8. Basic education (grades 1-6)	30,254	26,460	1.000	30,254	26,460
II. Subtotal	30,733	31,787	...	31,390	36,047
SECONDARY EDUCATION					
9. Special education: severely handicapped: mentally and physically (grades 7-12)	231	503	2.029	469	1,021
10. Detention schools: severely maladjusted socially and emotionally (grades 7-12)	26	26	2.656	69	69
11. Compensatory programs: remediation for emotional educational difficulties (grades 7-12)	825	2,649	1.832	1,511	4,853
12. Vocational education (grades 7-12)**	1,118	2,649	1.515	1,694	4,013
13. Basic education (grades 7-12)	24,292	21,355	1.280	31,094	27,334
III. Subtotal	26,492	27,182	...	34,837	37,290
IV. Grand total	62,180	70,095	...	72,667	88,385
V. Ratio	1.000	1.000	...	1.169	1.261

*One FTE pupil enrollee equals 10 parents.

**Average course load per enrollee equals 0.45 FTE vocational courses and 0.55 FTE basic courses.

TABLE 3.—AGGREGATE MEASURE OF PROGRAM INPUTS IN AN ISOLATED DISTRICT, 1968-69

Program	Number of pupils enrolled (head count)	Total need (estimated number in need of program)	Average per-pupil cost differential	Number of weighted pupil units in present programs (col. 2 X col. 4)	Number of weighted pupil units for total need in programs (col. 3 X col. 4)
1	2	3	4	5	6
EARLY CHILDHOOD AND ELEMENTARY EDUCATION					
1. Parent education program* ..	0*	23*	1.40	0	32
2. Nursery school (3- and 4-year-olds)	0	152	1.400	0	213
3. Kindergarten	125	152	1.298	162	197
L Subtotal	125	327	...	162	442
4. Extended day care program	...	...	1.298	...	...
5. Special education: severely handicapped: mentally and physically (grades 6 and below)	7	17	2.551	18	43
6. Compensatory programs: remediation for emotional educational difficulties (grades 6 and below)	0	456	1.680	0	766
7. Detention schools: severely maladjusted socially and emotionally (grades 6 and below)	0	...	2.954	0	0

8. Basic education (grades 1-6)	905	439	1.000	905	439
II. Subtotal	912	912	...	923	1,248
SECONDARY EDUCATION					
9. Special education: severely handicapped: mentally and physically (grades 7-12)	6	14	2.029	12	28
10. Detention schools: severely maladjusted socially and emotionally (grades 7-12)	0	0	2.656	0	0
11. Compensatory programs: remediation for emotional educational difficulties (grades 7-12)	0	296	1.832	0	542
12. Vocational education (grades 7-12)**	101	222	1.515	153	336
13. Basic education (grades 7-12)	633	208	1.280	810	266
III. Subtotal	740	740	...	975	1,172
IV. Grand total	1,777	1,979	...	2.060	2,862
V. Ratio	1.000	...	...	1.159	1.446

*One FTE pupil enrollee equals 10 parents.
**Average course load per enrollee equals 0.45 FTE vocational courses and 0.55 FTE basic courses.

difficulties may yield greater educational dividends than comparable amounts spent directly on the pupils.

The kindergarten is defined as serving primarily 5-year-old children. The cost index is based on a full-day, that is a single session, program instead of the predominant practice of half-day sessions. Each teacher would have a single session of appropriate length (recommended as 3 to 3½ hours) for these children. The total need is based on the estimated population of 5-year-old children in the district, excluding the numbers enrolled in nonpublic kindergartens.

The estimates of need for public nursery school programs are based on the evidence of an emerging demand which will increase until universal programs for 3- and 4-year-old children become established as an integral part of elementary education. A probable and reasonable developmental stage by 1980 is the accommodation of 50 percent of the children of ages 3 and 4. This is the basis for the estimates shown in item 2. The cost index for nursery school programs is based on a single-session day and estimated in relation to empirical data on kindergartens. Like the kindergarten index, this one includes a component for expenses associated with programs for parents of the respective children. The parent component is estimated at 10 percent of the total program cost.

The estimates for the parent program are for those whose children are not in school, including parents of children under three years of age. The minimum estimate for operation in 1980, treated as a present need, is 1.5 times the estimated enrollment in nursery school. The number of parent units is divided by 10 and expressed as pupil equivalents.

Elementary Education

The limits of basic elementary education are defined as grades 1-6. The special programs may include children in these grades and those who otherwise might be in early childhood programs except for difficulties that can be treated better in the special programs.

The extended day care program, which includes children of all ages without regard to age level, is designed primarily to meet an increasing need to care for children of working mothers. Children who are not in school need full-day care. Part of the time should be spent in an educational program under professional guidance. The custodial care should be directed by trained personnel so that the child has a wholesome, responsive environment for growth and is not just "vegetating" to wait out the long hours of the day.

Hence, the proposition underlying this program component is that the public schools should provide day-care service. Two priorities are suggested. The first constitutes programs for children from low-income families who cannot afford to pay for private care. This would expand to include larger numbers as the demand warrants. The second priority consists of professional services that the public school system would provide to the private day-care programs. These services would help to ensure that programs meet minimum standards to reinforce the work of the school for pupils enrolled in educational programs and to provide sound educational experiences for children not attending formal educational programs. Call them what you will, day care

programs provide children with some kind of educational experience, for better or for worse. The cost index of day care programs is estimated from postulated inputs and not from empirical cost data.

The programs of special education (item 5 and item 9) are defined to meet the needs of children with severe mental and physical handicaps. These categories include several subgroups for which diagnostic procedures are about the best of all for identification of handicapped pupils.

Compensatory programs include a wide range of special treatments for reading, speech, comprehension, general cultural disadvantages, bilingual difficulties, and moderate emotional difficulties. Children in this category need extra tutoring, greater personal attention from adults, and therapy from medical science, clincial psychology, and other fields.

Detention schools are programs for the total care of pupils with very severe maladjustments socially and emotionally. Pupils may need treatment for several months.

The basic programs include the remainder of the pupils and the resources after deducting those for the special programs from the gross numbers. These are the types of programs which would not necessarily vary widely from school to school because of the homogeneity of the pupils.

Secondary Education

The special programs are similar to those just described for elementary education, with one exception. Vocational education is commonly offered in the upper secondary grades, with some exception to accommodate overage pupils in lower grades. There is much work in the arts and sciences that might be defined as introductory vocational education, but I have limited the definition to advanced level skills that apply to broad occupational fields or clusters of particular occupations. Vocational education has two fairly distinct components: (a) vocational courses and workstudy experiences, and (b) basic education.

Basic secondary education is the residual after netting out pupils and resources for the special programs. For purposes of computation vocational education courses and related activities are netted out on a full-time equivalent pupil basis in relation to the total pupil enrollment in the program. In this project the average pupil distribution of work in vocational programs is 0.45 FTE in vocational courses and 0.55 FTE in basic courses.

Adult and Continuing Education

Adult and continuing education is a broad category that is not an integral part of the day school programs. I have not been able to obtain data that are amenable to the same methods of cost analysis as the day school programs. For example, the population is highly mobile and enrollments reflect membership in a succession of courses and other activities during the year, resulting in cumulative data rather than something like average daily membership. It is difficult to translate enrollment into full-time pupil equivalents.

The relative sources of financial support vary widely. Most districts charge some overhead expenses, including heat, light, and custodial services, to the day school program.

In 28 districts that I studied recently, about three-fourths of the pupils were in programs judged by local officials as equivalent to post-secondary education. For various reasons these programs are operated in the public school system: (a) tradition, (b) unavailability of opportunity in junior colleges or other institutions, and (c) need for many adults to seek general (basic) education comparable to secondary education.

My findings are similar to those of a special satellite study on Adult Continuing Education of the National Educational Finance Project. It is difficult to establish dependable cost units, either in terms of full-time pupil equivalents or others. Furthermore, there are no procedures for diagnosing the population and estimating the need as with the youth of regular day schools. The enrollments, containing an unknown amount of duplication, range from a fraction of 1 percent to 90 percent of the total day school enrollments.

The current expenditures for this program range from 0.05 percent to 4.40 percent of the current expenses for the day schools. The mean is 1.20 percent and the median 1.26 percent. These statistics indicate some of the parameters of this program in relation to the day schools. Also, they help to explain why this program is omitted from the estimates of cost differentials shown in the subsequent section.

Cost Differentials

The cost indexes of the programs shown in Tables 1, 2, and 3 are derived from average current expenditures per pupil in the respective programs for 1968-69: $750 in the basic elementary programs and $960 in grades 7-12. The other costs vary as indicated by the respective ratios indexed to the figure of $750.

Thus, the relative expenditure for nursery school programs in the sample districts for prescribed standards is $1,050 per pupil. In special education for the severely handicapped in the elementary school the average expenditure is $750 times 2.551, or $1,913 per pupil. The comparable expenditure for this program in the secondary schools is $1,522.

In vocational education the average expenditure per pupil is $750 times 1.515, or $1,136. Now, the average expenditure per pupil in the basic secondary program is $750 times 1.28, or $960. This means that the average pupil in the vocational program costs 1.183 times the pupil in the basic or regular secondary program. The common form of expressing this type of differential in grants-in-aid programs is *excess cost*. In this case the average excess cost is $176 per pupil in the vocational program as compared with the amount per pupil in the basic secondary program. But this amount is 18.3 percent of the basic secondary program cost. Hence, the index of cost differentials as expressed in these tables affords a basis for easy translation into excess cost form in comparison with the given base.

Impact on Program Inputs

Now, let us examine the impact of these differentials when the norms are applied to the program mix of the three districts shown in Tables 1, 2, and 3. First, by applying the cost indexes to the respective pupil-program mix we

obtain weighted pupil units for each program with a dollar value equal to the given base. In this case the base is the expenditure per elementary pupil in the basic or regular program.

Thus, the central city in Table 1 has a total enrollment of 35,277 pupils (column 2) and 44,176 weighted pupil units (column 5). The aggregate ratio or cost index for the district is 1.252.

The comparable figures for the adjoining suburban district, shown in Table 2, are: 62,180 pupils enrolled, 72,667 weighted pupil units, and an aggregate cost index of 1.169. This index is lower than the one for the city because of relatively fewer pupils in the high excess cost programs, as can be seen from Tables 1 and 2.

Table 3 shows the program mix of a small, isolated district with only 1,777 pupils in all grades and an aggregate index of 1.159. This is about the same as the index of the suburban district. On the other hand, fewer programs are offered in this district than in the suburban one.

Thus, the first impact of program cost differentials is to reveal a variation in the distribution of pupils among designated programs. Since districts have not responded equally to the needs of pupils, the full impact of cost differentials cannot be seen until an estimate of the total needs is examined. These are shown in columns 3 and 6 of these tables. These estimates are based on the norms of incidence found in the National Educational Finance Project for cities, suburbs, and other types of communities.

Each district has an estimated increase in enrollments owing mainly to needed expansion in early childhood education.

The estimated mix of pupils in the various programs increases the aggregate index of need in relation to the gross enrollments as follows: (a) the central city from 1.252 to 1.387, (b) the adjoining suburb from 1.169 to 1.261, and (c) the isolated district from 1.159 to 1.446. This final estimate is our best measure of needed program inputs. It is our best estimate of the full impact of cost differentials.

The central city illustrated here is typical. There has been a long trend of in-migration with high proportions of low-income families and minority cultural groups with bilingual and other problems. There has been an out-migration of middle-to-higher income families to the suburbs. The isolated district in this illustration has about 70 percent Indian and 30 percent white population. There is little business and industry to provide work-study programs for youth or for adult continuing education. The bicultural composition of the school population and the isolation of the community are the basic factors underlying the high aggregate program cost index of this district.

Summary

The implications of these analyses for financing the schools are clear. First, the distributions indicate that some districts have a disproportionate number of pupils in high-cost programs as compared with other districts. This provides a basis for the state to equalize the financial support of programs designed to accommodate the variable distributions of pupils according to their needs.

Second, the structure of programs for cost analysis provides a basis for maintaining systems of evaluation of inputs and educational results. Attention would be focused continuously on educational objectives, improvement in procedures of diagnosis of pupil needs, evaluation of educational programs, and outcomes. Thus, the socio-demographic and other cultural factors which affect the true cost of education would be made more explicit.

For example, I can illustrate how this structure of program cost analysis would reveal differences that are obscured in the commonly used cost statistics such as average expenditure per pupil enrolled in grades kindergarten through 12. If each of the districts illustrated in this paper had $1,000 per enrollee for the total estimated enrollment (column 3), the aggregate amounts when divided by the estimated total number of weighted pupil units (column 6) would result in the following amounts per elementary pupil in the basic program: (a) the central city—$721, (b) the adjoining suburb—$793, and (c) the isolated district—$688. These differences would create further variations in the costs throughout the internal program structure.

In summary, a rational system of education must include the following fundamental components: (a) a diagnosis of individual needs, (b) formulation of educational objectives, (c) designing and operating activities or programs to meet the differential needs of individuals, (d) accounting for the differential costs of programs, and (e) maintaining a system of evaluating the inputs and the outcomes of education. It is obvious that procedures for determining program cost differentials will have limited value in a school district or on a state-wide basis, unless there is a well-developed system comprising all of these processes.

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Can We Look to the Courts to Assure Equal Educational Opportunity?

Hershel Shanks

ALTHOUGH THE DATE cannot be pinpointed, it was in about 1965 that lawyers began talking about the possibility of obtaining a judicial ruling that would require the states to provide equal educational opportunity for all their children.[1]

The idea was intriguing. Look at what the Supreme Court did in the *Brown* case[2] to eliminate segregation. If the Constitution of the United States guarantees children equal educational opportunity regardless of the color of their skin, why not equal educational opportunity regardless of the wealth of the district in which they happen to live. Look at the revolution the Supreme Court accomplished in eliminating legislative malapportionment.[3] If the Supreme Court was willing to take up the cudgels for the politically impotent, why not for poor children who have even less political power in state legislatures.

Those were the heydays of the Warren era; the legal activists were rife; and hopes were high. Scholars seized upon the notion and, with their customary ease, became prolific.[4] Even Kurland, a leading scholar critical of the Warren Court's intellectual product, predicted that ultimately the Court would rule that the states were constitutionally required to provide their children with an equal educational opportunity.[5]

High hopes, however, were not confined to the scholars. The new young lawyers were optimistic, and soon cases were filed in courts around the country to test this new theory that a state was required by the equal protection clause of the Fourteenth Amendment to provide its children with equal educational opportunity. Suits were filed in Michigan, Illinois, Virginia, California, Texas, and elsewhere,[6] and each lawyer saw himself serving as counsel in another *Brown* decision.

The first case to reach the Supreme Court [7] was brought by a group of parents from Chicago's West Side who had banded together under the name, Concerned Parents and Teachers of the West Side. Their complaint in the Federal District Court in Chicago was that the state scheme for financing public education necessarily resulted in a larger per-pupil expenditure in some school districts than in others, because it required local communities with widely varying resources to raise about two-thirds of their school funds from local real estate taxes. In elementary schools, where the variation in per-pupil expenditure was the greatest, some Illinois schools—the wealthiest—were spending three times as much per pupil as others. On a school district basis,

comprising all levels of education, per-pupil expenditures in Illinois varied from $480 per pupil in some school districts to $1,000 per pupil in others. In these circumstances, the state was clearly not providing its children with equal educational opportunity, and this, argued the plaintiffs, violated the equal protection clause of the Fourteenth Amendment to the federal Constitution.

A special three-judge Federal District Court was convened, as is required when state legislation is attacked as unconstitutional. The special court, however, promptly dismissed the complaint without allowing a trial. The complaint, the Court ruled, failed on its face to plead a good cause of action.

An appeal from this decision lay directly to the Supreme Court of the United States, no intermediate appeal to a federal court being necessary in this type of case. The Supreme Court affirmed the judgment of the District Court on the basis of preliminary jurisdictional papers without giving the plaintiffs an opportunity either to brief their case fully or to argue their case orally.[8] Moreover, the Court gave no reason for ruling against the Illinois plaintiffs.

On the basis of this Supreme Court ruling in the Illinois case, a three-judge Federal District Court also ruled against the plaintiffs in a Virginia suit presenting the same issue.[9] Again an appeal was taken to the Supreme Court which again affirmed on the basis of preliminary jurisdictional papers without full briefs or oral argument [10] and without giving any reasons for its ruling.

Here were two Supreme Court rulings against the plaintiffs. Surely the time had come for a bit of stock taking. And stock taking there was, among both the lawyers who had been pressing these equal educational opportunity lawsuits and the scholars who had been trying to develop legal arguments to support the lawsuits. As a result, some lawsuits just withered away. The Harvard Center for Law and Education, one of whose top priorities at its inception a short time earlier had been to press equal educational opportunity lawsuits, now focused elsewhere. But some lawyers and scholars decided to press the fight. Why, in the face of two Supreme Court rulings against them, did they make this decision?

I suppose the first reason for their decision was the importance of what they were fighting for. What a beautiful idea equal educational opportunity was and is! How cleansing to our national conscience a victory would be! Even if the chances of success were small, the stakes were high enough to justify the fight.

But there were other reasons. I noted earlier that the two Supreme Court rulings against the plaintiffs were based on preliminary jurisdictional papers without full briefs or oral arguments. This summary treatment was especially frustrating at the time, but the precedent created by such rulings is, in the minds of many lawyers and judges, far weaker than if the Court had really heard the cases fully and written reasoned opinions rejecting the plaintiffs' position. Lawyers who have studied the problem believe that the kinds of rulings the Supreme Court handed down in these cases are not really rulings on the merits at all, but simply decisions by the Court *not* to hear the case. So in this sense, the Supreme Court might be said never to have really heard

the cases or the elaborate arguments which had been developed to support them.

A minor footnote to history: In February 1969, a group of educators who were visiting Washington were given an appointment with Mr. Justice Harlan and I accompanied them. Mr. Justice Harlan described the Supreme Court and the kinds of cases with which it is concerned. One of the educators asked the Justice, in layman's language, whether grossly unequal per-pupil expenditure within a state raised a question of the kind the Justice had been describing. It was an improper question to the extent that it asked for the Justice's opinion regarding an issue which had just been decided in the Illinois case and was going to be presented again very shortly in the Virginia case. The Justice replied that the problem presented did not raise a federal question over which the Supreme Court would have jurisdiction. This indicated to me that, at least at this time, the extensive scholarly work which had been done in this area had not come to the Justice's attention, for he would probably not have answered the question, at least not so directly, had he realized that it was even arguably open to dispute.

At any rate, there was considerable feeling among those who decided to push on that the Supreme Court had not really ruled on the question, despite the defeats in the Illinois and Virginia cases. And certainly the Supreme Court had given no reasoned rejection of the arguments which *could* have been made in the plaintiffs favor.

Notice I said *could* have been made: Could have been made, but were not. Many lawyers believed that the best arguments that could have been made in the Illinois and Virginia cases had not been made. I think it is fair to say that in the course of time, the legal arguments in support of plaintiffs' position had been substantially improved and refined.[11] For example, in the Illinois case the plaintiffs sought to have the court redistribute the state education budget according to each pupil's "educational need." The three-judge court simply threw up its hands at this request. How was the court to determine the "educational needs" of each pupil? Was the court to take over the school system and run it? The plaintiffs did not tell the court what they meant by "educational needs," and the court found the concept of educational need to be "judicially unmanageable." An improved statement of the argument would have urged the court only to forbid a system which distributes educational opportunity on the basis of the wealth of the local school district. The plaintiffs in the Illinois case were asking the Court to devise an entirely new system for financing public education; the new argument was limited to asking the Court for an order forbidding a state from adopting a system in which the most went to the wealthiest. This would leave the state free to adopt an infinite variety of funding structures so long as the structure adopted did not discriminate on the basis of wealth. I cite this simply as an example of how the arguments were being improved as time went on, and why it was decided not to give up after the two Supreme Court defeats.

A final reason for optimism was that subsequent to the Supreme Court rulings against the plaintiffs (which were, as I stated, without an opinion explaining the rulings), the Supreme Court handed down a number of

well-reasoned decisions expanding the scope of the equal protection clause on which we were relying.[12] In short, these later decisions seemed to be saying that a state could not discriminate on the basis of the wealth of its citizens unless it had a "compelling interest" for doing so. No longer would it be enough in cases involving alleged discrimination on the basis of wealth for the state to justify its actions as being "reasonable" or "rational." If the state legislation was to meet the federal constitutional test, the state would have to justify the legislation on the basis of a "compelling state interest." Those who decided to go on with the fight for a victory in the equal educational opportunity cases believed that a state would find it difficult, if not impossible, to justify, by reference to a compelling state interest, a system of educational funding which provided so much less for its poor pupils than for its wealthy pupils.

Among the publications which have appeared since the two adverse Supreme Court rulings in the Illinois and Virginia cases, is a book which I believe deserves special mention. It is *Private Wealth and Public Education.*[13] This book contains a first-rate history and analysis of state financing laws in support of public education. No court, I believe, can read this section of the book without sharing the uncomfortable conviction that these laws favor the rich. The authors also meet the argument that a victory in these equal educational opportunity cases would deprive local school districts of control over their schools or would prevent the local school district from determining its own tax rate depending on the priority the local school district wishes to give to education. The authors persuasively explain that a victory in the equal educational opportunity cases would still permit local school districts to control their own schools, and to set their own tax rates depending on the priority they place on public education. Victory would require only that the state discontinue a system which distributes educational resources on the basis of the wealth of the local community.

Armed with what were thought to be better arguments and convinced that the Supreme Court had not really given full consideration to the problem, a number of lawyers continued the struggle. The case on which most hopes are now pinned arose in California and was brought in the state court system, rather than in the federal court system. The California Supreme Court is an activist and intellectually sophisticated court, and in some areas is a step ahead of the United States Supreme court. Although the lower California courts ruled against the plaintiffs on the basis of the two Supreme Court decisions in the Illinois and Virginia cases, the California Supreme Court has now taken jurisdiction of the case. The case was argued in the California Supreme Court in February 1971, and it is fair to say that the lawyers in that case made use of the most recent refinements in legal theory and are hopeful of victory.

I wish I could end on this note of optimism. Unfortunately, I cannot; for my report to you would be incomplete without an account of a case decided by the Supreme Court less than a month ago, on March 8, 1971. This case, which arose in Florida, has been supported entirely by the National Education Association. The case attacks a Florida statute which provides that no local school district may tax itself more than 10 mills if it wishes to receive

state monies for its educational system. Dissatisfaction with this 10-mill limitation on the extent to which local communities can support their own schools led to this suit. NEA argued that this 10-mill limitation discriminated on the basis of wealth in the distribution of educational taxing authority, giving the wealthy districts far more taxing authority than the poor districts. For, in effect, the 10-mill Florida limit meant that a rich district could tax itself up to $700 per pupil for educational purposes, but a poor district, only $50 per pupil. Taxing authority was thus given in unequal amounts to rich and poor counties, argued the NEA. The NEA case was easier than the Illinois and Virginia cases because NEA's complaint was that the state *prevented* the local district from helping itself. Even if the poor school district was willing to tax itself at a higher rate to obtain as good an educational system as its wealthy neighbor, the state forbade it to do so. In the earlier cases from Illinois and Virginia, the plaintiffs argued not that the state prevented them from raising education taxes but that they were so poor that they were unable to raise an adequate amount from their own resources. For this reason, the NEA case had a better chance of victory. And indeed the three-judge federal court which heard the NEA case ruled in its favor, and did so despite the previous adverse rulings by the Supreme Court in the Illinois and Virginia cases. Once the Supreme Court handed down its adverse rulings in the Illinois and Virginia cases, this NEA case became, for a time, the leading case on what, it was hoped, would be the road back to victory.

When the Florida case was decided in the NEA's favor—the first victory in these so-called "educational resource allocation" cases—Florida appealed to the Supreme Court. In the Supreme Court, we were hoping not only for a victory, but perhaps a few words from the Court which might indicate that its earlier rulings in the Illinois and Virginia cases might not be very strong precedent for lower courts to rely on.

Instead, the Court ruled that the NEA case must be sent back for further hearings and even left open the possibility that the appropriate course for the lower court would be to send the plaintiffs to the state court system to see if they could get relief there on state law grounds. In that way, said the Supreme Court, the federal constitutional question, which we were trying so desperately to have decided, might be unnecessary. Thus, the Supreme Court avoided a ruling on the constitutional question.

This raises the question as to the effect of the change from the Warren Court to the Burger Court. I think it is obvious that it is now going to be more difficult to extend constitutional doctrine. But the Burger Court's conservative bent is likely to express itself in another, less frequently appreciated way; that is, by avoiding a decision. By developing doctrines like federal court abstention, by limiting federal court review of state court proceedings, by possibly narrowing Civil Rights Act jurisdiction, the Burger Supreme Court may turn the federal court system into an obstacle course in which only the heartiest of litigators will be successful in obtaining a decision on the merits of a case which attempts to significantly expand constitutional doctrine. The NEA case may well serve as an example of how this obstacle course can operate. After having been thrown out once in the federal district court and then obtaining a reversal in the Court of Appeals and finally winning a victory

back in the federal district court, the NEA is now told by the Supreme Court, two and one-half years after it filed its suit, that it must go back to the lower court for further hearings and possibly be forced to go first into a state court to determine whether relief can be obtained there. At this writing, NEA has not yet decided whether it will pursue the case or simply drop it.

One final note. During the argument before the Supreme Court in the NEA case, at least one Justice asked questions which can be thought to reflect a negative feeling about the merits of these educational opportunity cases. One of the Justices stated to counsel:

> Suppose that [the state] had decided to abandon a state school system and leave it up to each county to have the system that it wanted to pay for. Could it do that? What would there be in the Constitution to prohibit that? . . .
>
> That was the original way of running the schools in this country, wasn't it? . . .
>
> You have the same effect if you leave it up to the counties to pay taxes to educate their own children.

Of course the premise of the plaintiffs' argument in the equal educational opportunity cases is that education is constitutionally a state, not a local, responsibility, and that the state cannot ask the local school district to fund its own schools when it is too poor to do so. The Supreme Court Justice whom I just quoted rather clearly reflected his rejection of this basic premise of the equal educational opportunity cases. And this was Mr. Justice Black who until recently might have counted as a probable vote in our favor.

So the indications are that the road ahead is a difficult one. The rulings and statements of Justices in the NEA case do not bode well for the future of the pending California case, although I hope I am wrong.

If, when you assemble at this convocation next year, there is no speaker to address you on recent developments in the courts, you will know that we have gone down for the count. But as of the present moment, we are still fighting and share with you the conviction that our cause is just.

FOOTNOTES

[1]The first published suggestion to this effect appears to be: Wise, Arthur E., "Is Denial of Equal Educational Opportunity Constitutional?" *Administrator's Notebook*, 13:1-4; Feburary 1965.

[2]*Brown v. Board of Education*, 347 U.S. 483 (1954).

[3]E.g., *Baker v. Carr*, 369 U.S. 186 (1962).

[4]Wise, *The Constitution and Equality: Wealth, Geography, and Educational Opportunity* (Ph.D. dissertation, Univ. of Chicago, 1967); Horowitz, "Unseparable But Unequal—The Emerging Fourteenth Amendment Issue in Public School Education," 13 UCLA L.Rev. 1147 (1966); Horowitz & Neitring, "Equal Protection Aspects of Inequalities in Public Education and Public Assistance Programs from Place to Place Within a State," 15 UCLA L.Rev. 787 (1968); Kurland, "Equal Educational Opportunity: The Limits of Constitutional Jurisprudence Undefined," 35 U.Chi.L.Rev. 583 (1968); Kirp, "The Constitutional Dimensions of Equal Educational Opportunity," 58

Harv.Educ.Rev. 635 (1968); Wise, *Rich Schools, Poor Schools: The Promise of Equal Educational Opportunity* (University of Chicago Press, 1969).

[5]Kurland, Philip, "Equal Educational Opportunity: The Limits of Constitutional Jurisprudence Undefined," 35 U.Chi.L.Rev. 583 (1968).

[6]The cases are listed in Coons, John E.; Clune, William H.; and Sugarman, Stephen D., *Private Wealth and Public Education.* Cambridge: Belknap Press of Harvard University Press, 1970. p. 289.

[7]*McInnis v. Shapiro*, 293 F.Supp. 327 (1968).

[8]*Sub nom., McInnis v. Ogilvie*, 394 U.S. 322 (1969) (Mr. Justice Douglas would have noted probable jurisdiction).

[9]*Burruss v. Wilkerson*, 310 F.Supp. 572 (1969).

[10]*Burruss v. Wilkerson*, 396 U.S. 44 (1970) (Mr. Justice Douglas and Mr. Justice White would have noted probable jurisdiction).

[11]Kirp, *Book Review*, 78 Yale L.J. 908 (1969); Coons, Clune and Sugarman, "Equal Educational Opportunity: A Workable Constitutional Test for State Financial Structures," 57 Calif.L.Rev. 305 (1969); "Developments in the Law—Equal Protection," 82 Harv.L.Rev. 1065 (1969); Michelman, "Foreword: On Protecting the Poor Through the Fourteenth Amendment," 83 Harv.L.Rev. 7 (1969): Coons, Clune and Sugarman, *Private Wealth and Public Education* (Harvard University Press, 1970); Shanks, "Equal Education and the Law," 39 The American Scholar 255 (1970); Shanks, Book Review, 84 Harv.L.Rev. 257 (1970); Silard & White, "Intrastate Inequalities in Public Education: The Case for Judicial Relief Under the Equal Protection Clause," 1970 Wisc.L.Rev. 7 (1970); brief for appellees in *Askew v. Hargrave*, United States Supreme Court, No. 573, Oct. T. 1970.

[12]E.g., *Shapiro v. Thompson*, 394 U.S. 618 (1969); *McDonald v. Board of Election Commissioners*, 394 U.S. 802 (1969).

[13]Coons, John E.; Clune, William H.; and Sugarman, Stephen D. *Private Wealth and Public Education.* Cambridge: Belknap Press of Harvard University Press, 1970. 520 p.

Performance Contracting–Myth or Mystery?

Alton B. Sheridan

NOTHING IS AS POTENT as "an idea whose time has come." Performance contracting may well be that idea rather than an innovation in education per se. The idea of performance contracting fits into the education scene today because it fits into a nice nook in the field of accountability.

Accountability in education is a product of forces impinging on education at the beginning of the 1970's. The major force is the rapidly rising school budgets and the desire to get more educational value out of the dollar. This, coupled with emphasis on accountability in government, particularly in the Department of Defense, has promoted interest in pricing and cost analysis with particular emphasis on unit cost. A contributing factor is the influence of many self-appointed critics of education, the thrust of whose work has been that public education is no longer relevant and must be abandoned.

Counteracting these forces are two possible approaches: defending what is currently being done with new techniques, and substituting a different type of educational process. Many other social and economic factors have increased this concern for accountability, but they are not the purpose of this paper. Rather, these factors have been used to illustrate the setting in which performance contracting arose. While various individuals have been credited with developing the performance contracting idea, the times made the idea catch on.

Performance contracting is an intriguing concept because it appears to very readily and easily solve the problem of accountability. Actually, as I shall attempt to point out, it neither solves this problem nor offers new ideas for major educational change, but it does offer some possible minor educational improvements.

I shall not attempt to ennumerate the various existing or completed performance contracts. They vary from one-teacher contracts of a few hundred dollars to major business-firm contracts involving several thousands of dollars.

The most common type of contract involves fairly new small firms incorporated for this sole purpose. Most of these firms seem to be managed and staffed with visionary people with almost missionary zeal. Many of these people are not educators and several have indicated to me that they considered a background in education to be a handicap in their work as it limits and channels one's thinking. Despite some claims to the contrary, most of these people are actually technicians in an educational sense. They are not concerned with the "whole child" or the social setting of education. Rather, they generally subscribe to a stimulus-response approach to learning and are concerned mainly with the teaching of skills. As most skill teaching requires a

stimulus-response approach to learning, this is fairly effective. A note of caution, however, should be injected here, that attempts to teach higher orders of learning may not be too successful with this model. Therefore, attempts to teach the whole school curriculum, where it has been tried, have not been as successful as the teaching of mathematics and reading.

The main concern I have with performance contracting centers on evaluation, the weakest point in the proposals as it is in most programs of instruction. In fairness to performance contract proponents, I should mention that most of them also recognize this shortcoming.

In the present state of the performance contracting art most progress, and hence payment, is determined by some objective testing procedure. A common approach is use of pre- and post-tests to determine gains made. Another approach guarantees that pupils will be performing at a grade-level equivalent. Both of these procedures suffer from test variability.

The pre-test, post-test model is very susceptible to changes in testing conditions. By improving testing conditions between pre- and post-tests, improvements can be obtained which were not the result of the instructional program. In most situations the pre-test is given before program intervention and thus before pupils are aware of the program. It is difficult to conceive of pupils not knowing the purpose of the post-test, and thus the well-known "Hawthorne effect" may be present. Some contracts also provide for dropping pupils from the program when they receive a certain agreed-upon score. The result of repeated testing of a group will remove many pupils solely on the basis of the variability of test results.

Using grade norms for payment has certain built-in benefits for the contractor. A percentage of pupils upon repeated testing will test at grade level without any treatment. Thus, they can be eliminated from the intensive work needed to raise test scores. In addition, minimal work may raise a rather large percentage to the desired level. If the contractor basically ignores the hard-core nonperformers, he can receive sizeable payments with minimal investments in instruction. That is not to say this is actually practiced, but the opportunity to use this procedure for borderline cases exists.

Many contracts provide for the removal of pupils who, it is mutually agreed, are not reacting satisfactorily to the treatment. This removes a few others from the failure group.

The use of criterion referenced tests which require demonstration of specific performances may be a possible solution for the testing problems, but at the present time these tests have not been sufficiently developed that they can be used for the determination of payments to contractors.

Another basic concern of the teaching profession as it views performance contracting is the utilization of staff. With the to-date emphasis on skill subjects and a technician's approach to learning there is concern that the pupils will be taught mainly by machines or paraprofessionals. The major hope for increased efficiency must come from a different utilization or lesser utilization of professional staff. In either situation the opportunities for professional teacher-pupil interaction are likely to be reduced. While this may not affect the skill learnings, it may have serious long-term effects on pupils in the affective areas. There are really few long-range data on the effect of

this proposed type of education. It just may turn out to be "deadly" for the coming generation of pupils who seem to want and need interpersonal relationships rather than mechanistic approaches.

Finally, there is a problem which may result from moving too fast. Educators and their "fellow travelers" tend to jump onto "bandwagons" of new ideas only to discover later that the claims made cannot be fulfilled. In discussing performance contracting, we are discussing a basically untested idea proposed by firms with little or no experience in running an educational enterprise. If performance contracting is to survive, it must be guarded carefully so that shortcomings can be corrected.

I would like to end on an optimistic note. I think the main effect of performance contracting will not be on pupils. They will continue to learn in rather the same fashion they have always learned. The impact I see will be on the establishments of education. If performance contracting makes a contribution, I think it will be the forcing of educators to think much more systematically than they have in the past. They will look at education as a system with subsystems. They will be forced to ask why at every step of the way. This will force a re-ordering of the teaching and learning process with more efficient results. And, let us hope, the new emerging concerns for a humanistic education will keep the enterprise from going completely to the efficiency model and a balanced program will result.

Anyone considering performance contracting must be aware of the many pitfalls. There is no mystery despite the use of new terms. At least a year of hard work and much staff involvement will precede a contractual involvement. Time spent in planning will return much in terms of the program. It is already too late for us to be the first in the field, so why shall we not be the best possible if we wish to get into performance contracting at all. There is insufficient expertise to go around at this point in time, so we must learn by doing. Therefore, small contracts under carefully controlled experimental conditions should be the limit of involvement. There has been interest in getting teachers groups involved in performance contracts, but teachers are not prepared and do not have the management skills such programs require.

Performance contracting used as a way to get the public off the educator's back will almost surely fail. There is no myth or mystery about it, just plain hard work and lots of learning for those bold enough to become involved at this time.

Performance Contracting Experiment of the Office of Economic Opportunity

Charles B. Stalford

I SHALL DISCUSS (a) the reasons for our decision to undertake an *experiment* to test performance contracting rather than to assume an advocacy role or to implement an operational program; (b) what we hope to learn from our experiment; (c) the implications for the future, if performance contracting is proved successful or if it is deemed a failure, and (d) our view at "midstream."

You are all familiar with the glowing promises emanating from the initial experiences of Texarkana with performance contracting. You heard that poor, underachieving children, the children for whom school in the past had provided little more than babysitting services, were learning, doubling, and even tripling, previous achievement levels. You heard that they had learned to like school, that dropout rates had dramatically declined, and that vandalism had nearly been eliminated. Teachers, both those in the pilot project and others in the system, favored performance contracting. It was surely the greatest thing to happen to schools since the introduction of the blackboard.

Educators, journalists, federal officials, representatives of the educational hardware and software companies, everyone made the pilgrimage to Texarkana to view the miracle in process. Soon, schools all over the country were ready to adopt performance contracting to suit their own needs. From San Diego to Richmond to Dallas the password was *performance contracting.*

At that time, OEO staff, including me, visited Texarkana. We saw great promise in performance contracting as a means of helping poor children achieve results in the classroom. But we believed that the Texarkana experience alone would not provide adequate guidance for the dozens of other school districts that were considering this new concept. Had Texarkana had the most scientific and best-designed evaluation structure possible, it alone could not indicate whether performance contracting was a fluke, whether the results achieved there could be replicated elsewhere, and whether costs would be prohibitive. It was clear to us and to the Office of Economic Opportunity that much broader, clearly defined, carefully evaluated experience was necessary before it could be confidently stated that performance contracting could help poor children.

Therefore, we decided to mount a nationwide experiment to gather the data we needed, data that other school boards should have before deciding whether to enter into performance contracting.

It is worthwhile to review the time frame from that date to this. In March, we visited Texarkana and considered the value of the entire perfor-

mance contracting concept. In May, we outlined the experiment and had a request for proposals out for the selection of technology companies. In June we selected school districts and during the summer selected pupils within those districts who would participate in the programs. When school opened in September, 18 districts were participating with two additional ones which would be contracting with local education associations as an adjunct to the experiment yet to be selected.

As we look back, we are impressed with the enthusiasm and speed with which schools and companies responded to the deadlines for starting the experiment. We were particularly impressed with the speed of many school districts in securing board approval of projects and getting them started. It seemed that the frequent charge that school systems are subject to inertia and cumbersome bureaucratic procedures was not necessarily true.

What, then, do we expect to learn from our experiment?

We shall learn what kind of achievement or results can be attained by a variety of pupils from a variety of backgrounds. The experiment includes children from virtually all segments of the poverty population—urban and rural white, black, Eskimo, Puerto Rican, Mexican-American migrants, and Indians. By using an elaborate combination of standardized and criterion-referenced tests, we hope we have eliminated the possibility of teaching to the tests. Part of the contractors' pay will be based on their pupils' performance on these criteria, or subject-referenced tests, and part will be based on the pupils' performance on one of three, randomly assigned, standardized tests.

What have we learned at this time in midstream? Initially we believe the faith given to the *potential* of performance contracting has not been misplaced. It is too early to definitively assess results, but companies and the education associations are conscientiously at work and on the whole seem to have sound programs in which pupils are busily engaged. But, if it had to be proven, we know that merely signing a performance contract and opening the project does *not* guarantee success. Some of our companies are struggling hard and revising their plans in order to be successful. It may be that this requirement to change strategies in midstream is one hallmark of a successful company's approach and a basic strength of the performance contracting concept.

Once we have final data, what can we and the education community do with it?

If we learn that performance contracting does not produce significant gains in achievement levels, that it is impossible to administer, or that its cost/benefit ratios make it impractical, we shall go back to the drawing boards. If, on the other hand, performance contracting is proved successful, we shall have an important addition to our knowledge of how to educate disadvantaged children.

If school districts want to enter into performance contracting, for example, they will need whole new areas of expertise. They will be able to choose hiring a private contractor to run their system, or hiring a private firm to train their teachers, or restructuring their agreements with their teachers so that the teachers themselves will become the contractor. They should learn how to write requests for proposals, how to control the quality of the work

being done by their contractor, and how to evaluate the progress of the pupils. The negotiating process between school boards and teachers groups will include new factors—how to achieve accountability and how to reward performance fairly. Dozens of new private firms, in addition to the dozens of existing ones, will develop performance contracting proposals, and school boards will have to learn how to determine and compare the capabilities of those firms.

If the techniques are proven successful, another set of considerations will revolve around the pupil who has graduated from a performance contracting classroom. For the first time teachers will have the exciting challenge of a classroom of pupils capable of learning at grade level, pupils who will need to be kept motivated to retain the gains of the prior year's experience, and to build on those gains.

While it is fun to speculate about the implications of the future, we are equally concerned about the immediate situation. Most school boards are in the midst of their budget planning for the 1971-72 school year; budgets will be formally approved in the spring, several months before we have data from the experiment. Already we are getting calls almost daily from superintendents wanting to know whether we would advise including funds for a performance contracting project in their budget for next year. We are telling those superintendents that we would not advise it.

We really know very little about this concept right now, far too little to sustain initial optimism. We are disturbed when we read that schools already are spending millions of dollars for this entirely unknown quantity. Such a commitment of funds at this time is premature.

However, we *are* excited about performance contracting. I *do* think that if it is proved successful, it holds tremendous potential. I believe the OEO proposal has the promise of ascertaining whether or not performance contracting is indeed successful. We shall wait until the results are in.

New York State Commission on the Quality, Cost, and Financing of Elementary and Secondary Education:

Agenda of Proposed Research

James W. Guthrie

THIS DOCUMENT DESCRIBES the topical areas and school-related problems upon which the New York State Education Commission will focus attention in the course of fulfilling its charge from the governor and State Board of Regents. For ease of explanation, the Commission's concerns have been divided into five conceptual components: (a) description of future educational needs, (b) educational objectives and their evaluation, (c) instructional processes and resources, (d) educational programs, and (e) administration and finance.

Clearly, some activities do not fit neatly into any one of our major components, and allowances will need to be made for those studies which spill over the boundaries. However, with this in mind, we proceed to describe the general content of the Commission's proposed study within each of these five concepts. It will be noted that the Commission intends to focus upon two dimensions of each concept: an assessment of present practices and an analysis of possible future alternatives and options. Also, within every conceptual component, attention will be given to a number of important social and educational issues; for example, racial desegregation, decentralization, and community control.

Before describing the following set of inquiries, however, we believe that it is important to make one of our assumptions clear. Concern for how well schools are performing, the efficiency with which teachers are accomplishing their tasks, the equity with which we generate and distribute school revenues are all items about which we are greatly concerned and matters upon which the Commission clearly will focus a considerable portion of its attention. However, it may be an even more important Commission task to consider the "why" and "what for" of education. This desire to examine the values which underlie schools will be seen throughout a number of the following research descriptions. Our purpose in emphasizing the point here is to prevent the reader from losing sight of the forest as he proceeds through our explanations of the trees. Philosophical questions such as, what is and what should be the *quality* of education and schooling are thought to be as much a part of the Commission's charge as are matters of cost and financing.

Future Educational Needs

The Commission desires to be ultimately in a position whereby it can recommend objectives or educational targets to be achieved by schools by

1975 or 1980. Such objectives will have the primary purpose of focusing the efforts of schools upon the performance of those tasks thought to be most important by the citizens of New York State. These objectives will describe expected levels of school performance in selected fields. They will serve a second function of providing a baseline against which subsequently to assess the schools' effectiveness. The continual examination of pupil and school performance will provide information on matters such as efficient use of resources and new techniques which should be implemented elsewhere.

The nature of future society generally—However, before it is possible to proceed too far down a path of formulating objectives, it is necessary to give substantial consideration to the kind of world in which education will take place. Consequently, the Commission will engage in activities which will enable it better to comprehend patterns of social change and likely future developments. Information as to probable changes in life styles, values, consumption patterns, social and political activities, modes of communication, technological innovations, international developments, and so forth, should be obtained prior to charting a set of performance standards for New York schools. To obtain such information, the Commission will need the services of several persons expert in the field of analyzing emerging social trends and projecting developments. These persons will both make presentations to Commission members and prepare papers which can serve later as bases for Commission reports.

Economic projections and manpower studies—In addition to these efforts of the Commission to understand future development generally, a specific attempt will be made to bring the techniques of economic analysis to bear upon future manpower and occupational needs of New York State. This effort will have two major components. First, it will be necessary to understand and project the nature of the country's and New York's economic development over the next five- and ten-year periods. From this, deductions can be made regarding types and numbers of individuals who will be needed for various occupational categories. Second, once having a picture of the economic future and occupational needs, it becomes possible to connect such projections to the operation of the educational system. The connection will be made by means of what technically is termed a "student flow model." This student flow model, the manpower projections, and other studies may also become components in a larger effort to build an econometric model of the New York State educational system.

Student flow model—This device will simulate both the formal school system and the training efforts which take place in industry and elsewhere. This model will encompass features such as the instructional stages through which students pass, the critical points at which manpower preparation decisions take place, and the numbers and characteristics of the personnel needed to staff the system. Construction of such a model will make it possible to foresee the degree to which the present educational structure will meet future manpower and economic needs and the points at which restructuring will be necessary. The model will make it possible to project schooling costs. Also, student flow analyses might address themselves to changes which will be necessary if the school system is to relate effectively to training activities of

business and industry. Moreover, student flow analyses will provide insights as to those levels and areas of formal school system which will call for added resources and those levels and structures which might be reduced or eliminated.

Educational Objectives and Their Evaluation

Within this concept, the Commission will be concerned primarily with individual pupils, what they are currently expected to be learning, the degree to which they are in fact performing in accord with such expectations, and what they should be expected to learn in the future. Specifically, the Commission proposes to conduct research in areas such as the following:

Contemporary educational objectives—In order to obtain information on what tasks pupils and schools are currently expected to perform, the Commission will attempt to assess contemporary school objectives and goals. This assessment will proceed along at least three lines of inquiry: (a) the objectives and goals of schools as perceived and proclaimed by participants and others with particular interest in schools; (b) the objectives of schools as stipulated by statute, code, and policy; and (c) the objectives and goals of schools as indicated by the behavior of participants.

The first of these, goal perceptions, might be derived from interviewing school-board members, superintendents, teachers, parents, and pupils; from distillation of appropriate documents produced by education-related organizations; and from selected public opinion polls. The second type of objective, that specified in law and policy, will be examined by standard research practices. The third group, goals and objectives which are indicated by the behavior of participants, can be assessed in part by examination of achievement patterns, instructional processes, and the organizational structures of schools. For example, one of the goals of public education is the provision of universal free education and yet in some of our large cities we tolerate dropout rates that may be as high as 40 percent. The relationship between participant behavior and goals can be more directly assessed through studies of the reward and punishment systems that govern the behavior of pupils, teachers, and administrators. As an example, consider the reward system for teachers. Are teachers rewarded by the school system for improving the achievement of their pupils?

As progress is made in the examination of contemporary educational objectives, it may prove useful to distinguish between the objectives in different types of schools, for example, elementary and secondary, and in different types of programs, for example, vocational education and college preparatory.

Present patterns of achievement—In addition to desiring to know what pupils and schools are presently expected to do, it is important to know the degree to which they are in fact reaching their present objectives. Toward this end, the Commission will undertake a series of studies of pupil performance in New York State. These studies will utilize the growing body of quantitative information depicting pupils' ability to perform intellectual tasks. In addition, an effort will be made to assess school performance in other dimensions. For example, what do pupils learn about democracy and the democratic

process from schools? How successful are the schools in teaching pupils how to think critically as opposed to simply teaching memorization. What has been the history of school retention rates in New York? Are schools doing a better or worse job in trying to prevent dropouts? What is the rate at which pupils are seeking post-secondary schooling? How well are pupils doing after they complete secondary school? How are former pupils performing on army classification examinations? What is the record of social deviancy and vandalism for pupils in the state? What appears to be the employability of New York high-school graduates?

These performance assessments will take into account subgroups of pupils such as the mentally retarded and intellectually gifted. They will also pay attention to achievement factors such as pupils' socioeconomic position, race, and geographic location. The result of this series of achievement inquiries will be a profile of pupil performance in New York, a profile which will indicate what successes and failures exist and provide suggestions as to where changes are needed.

School effectiveness—Almost as important as knowing what schools are expected to do and how well they are doing it is to know why and how and at what cost they are doing it. That is to say, it is also important to know what is causing pupil achievement to be high or low. Why do some school districts and schools appear to be successful in educating children and others not so successful? What mix of educational inputs best accounts for desired outputs? To come closer to answering questions of this nature, the Commission will undertake some study of school effectiveness.

We know this to be a difficult area, and it is not likely that Commission research will succeed totally in prescribing the proper mix of resource inputs which thereafter will enable every school district to achieve its educational objectives with maximum efficiency. Problems of measurement are paramount. For example, we are sure that a great deal of a child's school performance is affected by factors which take place outside school. A difficulty arises when we attempt to measure what is within the school's ability to influence and what is not. Nevertheless, it is hoped that progress can be made toward identifying those components of the currently deployed instructional process which add to achievement and those which appear to be, at best, only neutral, or, perhaps, ineffective. In addition, it is hoped that added knowledge of those instructional components which are most cost effective will be gained.

This line of research will be helpful in recommending instructional arrangements no matter what prescriptions are made for school or school district organization.

State-wide educational inquiry system—For New York State to be able continuously to assess the performance of its pupils and schools and to be able to conduct even more sophisticated analyses of school effectiveness in the future, the Commission will consider means by which a state-wide educational inquiry system might be established. Such a system would enhance planning efforts by permitting regular assessment and reconsideration of implemented plans. The Commission will undertake studies to discern the feasibility of such a system, assess means by which it might capitalize on

existing data collection and compilation structures, and prescribe steps which should be taken to bring such a system into complete operating capacity.

This component of the Commission's activity will be closely linked to the framing of future state-wide educational objectives, manpower projections, and recommendations regarding the adoption of new instructional methods.

Instructional Processes and Resources

To begin to explain present achievement patterns and school performance or to talk of changing these patterns, the Commission will examine the various human and nonhuman resources that comprise schools.

School personnel—It is reasonable to assume that schooling will remain a process in which the interaction between pupils and teachers is important. This is likely to be the case even if it is possible to identify ways in which technology can make the process a great deal more efficient. Consequently, the Commission is interested in means by which teachers and other educational personnel, including administrators, specialists, and paraprofessionals, are selected, trained, and subsequently deployed throughout the educational system. Can education attract an even higher caliber of manpower? Are school districts using the most significant criteria for selecting and promoting personnel? Do New York's certification requirements encourage the most appropriate form of teacher and administrator training? Are school districts able to deploy personnel in a fashion which optimizes their effectiveness? Are there ways whereby the expertise of particularly outstanding teachers can be spread over more than the normal number of pupils? Can means be found of assigning some instructional tasks to individuals who have less training than full certificated teachers? Also involved in the area of personnel are questions such as: What is meant by teacher and school accountability and to what extent is it wise to try to introduce specific measures of accountability into the system? What kinds of incentives might heighten teachers' sensitivity to pupil performance?

To address itself to staffing questions such as these, the Commission will undertake studies which assess current operational patterns regarding educational personnel and which will propose means by which those patterns can be made more effective.

Nonschool personnel—Any community has numerous people not directly connected with schools who have a wealth of services to offer. The Commission will explore ways to make more effective use of them in the formal instructional process.

Pupils—By far the largest untapped reservoir of human talent is the pupils themselves. The education enterprise centers on them but rarely makes use of them. What potential have pupils as teachers? Evidence to the effect that learning is influenced by more than simply programs and techniques (in the strict sense) is increasing. Pupils can learn not only from teachers, texts, and television, but also from each other. Moreover, the things they learn in this fashion may comprise some of the school's most important lessons, for example, how to work as part of a team, how to get along with other people, and how to have consideration for the ideas of others. This social learning is important in maintaining the fabric of society. However, there are some signs

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that New York schools may need to pay greater attention to such matters. Pupil unrest and social misbehavior are not problems which will be amenable to a simple solution. Yet, clearly, it is a matter to which the Commission must give serious consideration.

Perhaps this view of pupils as contributors rather than simply as recipients will aid the analysis of other questions about pupils that the Commission will face: What are pupils' civil liberties? What are the causes of unrest? What can be done about drug abuse by youngsters? Who are those children who drop or are pushed out of school and what can be done for them? What opportunities for post-secondary education are there? Are the criteria for differentiating among pupils for later education rewards appropriate?

Technology—The cost of providing schooling has increased over the last two decades at a pace which far exceeds the growing numbers of pupils enrolled. Consequently, a question arises as to whether or not alternative, less labor consuming, and altogether less expensive means can be found to provide effective instruction. What technology (whether it be actual machines or simply new techniques) exists which can make schooling more productive? What technology is currently being employed in the schools of New York State? Does any of it appear worthy of being treated more widely? What technology might possibly be utilized in future schools? At what points in the instructional process is technology best suited? At what point in a pupil's career is his learning ability most amenable to the insertion of technological processes? These and related questions comprise the subject matter of the inquiry regarding educational technology to which the Commission should address itself. In the process, it is intended that a broad view of instructional technology be employed so as to encompass the consideration of devices such as television, computers, mechanical teaching machines and new curriculum programs including "individually prescribed instruction."

Buildings—Capital costs have also increased at an alarming rate. The Commission will undertake estimates of building needs as well as some measures of the effectiveness of their present use. Included will be exploration of a number of cost-saving alternatives such as extension of the school year, finding other uses for buildings after hours, and, for the cities at least, the development of joint occupancy programs for new construction.

Also of concern are the effects, good and bad, of building design on the social organization of its users and on the instructional process.

Out-of-school resources—This is an area so vast that the Commission's explorations must be brief and tentative. Nonetheless, the Commission must take cognizance of the wealth of other ways that society educates its children besides through the school. For example, children are said to spend as many hours in front of a television set as they do in school. What effects does commercial television have on children? What does "Sesame Street" mean for schools? Should programs with similar intentions be designed for older children?

Educational Programs

The foregoing section on instructional processes and resources is directed at assessing how well present-day schools function in a general sense. That is

to say, the concern is with a wide variety of people and things which make up a typical school. In this section on "educational programs," our concern is somewhat different. Rather than inquiring as to what resources and techniques are involved in the instruction of a typical pupil or every pupil, we now focus on program content, particularly on those programs which have a specialized purpose.

Program relevance—One of our first concerns here is with what is taught to whom. What should be the content of instructional programs? Has knowledge undergone such extensive change that what children are being taught is out of step with reality? For example, what is the rule of ethnic studies programs in this regard?

Subject-matter programs—On a more specific level, what is the content and effectiveness of some of the narrowly oriented subject-matter programs? For example, how effective are existing programs for teaching reading, mathematics, and vocational education? What is currently being done in New York about these areas? With what effect? How much does it cost? What changes, if any, should be made?

Student-centered programs—What is the case for compensatory education, special education, gifted programs, preschool, and other instructional areas intended to benefit a specific or limited segment of the pupil population? How effective are the educational programs of peripheral institutions such as juvenile detention centers, orphanages, and mental institutions? Also, what is the impact of federally funded educational programs for specific pupil populations? For areas such as these, the Commission will attempt to describe present patterns of success and analyze what revisions may be necessary in order to achieve greater effectiveness in the future.

Program "tradeoffs"—In addition to concerns for specific programs, the Commission will want to step back from more immediate issues and take time to examine such broader questions as, If limited dollars, then which programs? Here we have in mind, for example, assessing returns on investment in so-called compensatory e[illegible]rograms compared with results from intensified efforts to operate [illegible]rograms.

Another example consists [illegible]essing the benefits of diverting resources from the formal school program and spending them on informal programs operated by organizations other than schools, for example, museums, libraries, science centers, or industry. The Commission is interested in describing the educational efforts and assessing the effects of private business in training its own employees. Also, it will be important to evaluate the role, relative to schools of private sector offerings, in matters such as music, drama, dancing, and foreign language. The entire area of investment alternatives will be conceptualized more fully and subsequently subjected to analysis.

Administration and Finance

Public provision—The educational structure of the New York State elementary and secondary system may be skeletally described as follows: Eighty percent of the pupils attend public schools. A neighborhood school policy exists so that children typically attend institutions near to their homes.

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School districts are of radically differing sizes and tend to serve different groups of people measured by demographic characteristics.

Regardless of the performance objectives established for education and the processes and structures recommended for achieving those objectives, means must be found for supporting the system. This consideration leads us to the fifth large domain of Commission concern, the means by which funds can and should be raised for schools, the manner in which those funds should be distributed, and the problems of governance that attend these questions. In discussing this topic, we turn first to the questions of revenue and distribution and second to questions of administration.

A general consideration—The primary question in the area of finance is the degree to which resources will be available to support and improve education over the next five- and ten-year periods. Consequently, the Commission will contract for a study which examines economic projections for the country and New York State and extrapolate from them likely revenue patterns for education. This study will take into account projections of various levels of economic growth and a variety of taxation schemes by which the growth can be tapped. Also, this study of revenues will be a component of the econometric model or simulation to be constructed for the New York State educational system.

Geographic considerations—A second consideration in the area of revenue is the relative ability of various governmental units to finance schools. A query is frequently posed regarding the ability of cities versus suburbs and rural areas to support public services. On some measures, cities contain great wealth, yet the demands placed upon that wealth to support public services may be greater than in other areas. Moreover, it may be that many of the city-provided services in fact accrue to the benefit of those who live outside the city. Consequently, in an effort to examine the question of relative wealth and public sector demands more thoroughly, the Commission will undertake empirical analyses of the financial ability and public service needs of urban, suburban, and rural areas within New York State.

Federal revenue possibilities—Currently in excess of 90 percent of the funds spent for elementary and secondary education in New York State are generated by state or local taxes. This provokes a question as to whether or not the federal government should be looked to as a source of additional revenue. Here the Commission will be interested in topics such as the revenue generating ability of state government relative to the federal government; the relative advantages of various forms of federal aid, for example, revenue sharing, funds specifically earmarked for education, and categorical grants; and means by which state and local educational agencies can be held more accountable for their use of federal funds.

Distribution—The Commission will conduct studies to assess the adequacy of New York State's present formula arrangements for distributing state school funds. Do such formulas place funds where they are needed most? Do they effectively equalize educational opportunity as well as the school support burden felt by taxpayers? Do formulas adequately reflect the problems experienced by big cities, growing suburbs, and impoverished rural areas? In addition, there are numerous "school finance" proposals in this area

which must be evaluated. They include state assumption of the full responsibility for education finance and revenue distribution, state distribution of aids-in-kind, such as teachers or technology, and various forms of the voucher system. These and other questions will serve as the focus for this part of the Commission's inquiries.

Budget and management process—Part of the school finance problem involves the budget and management process. This includes questions such as: Who does and should participate in budget decisions? What is the proper role of parents groups, teachers unions, and the like? What budget flexibility is there in the hands of those making education policy decisions? What are the existing and appropriate controls on expenditure at various levels of the system? What kinds of accounting systems are employed, and to what extent do they enhance or limit flexibility in state, district, or school resource allocation decisions? This area of the procedure of finance seems to be a useful one for the Commission to investigate.

Administration—Proposals designed to assure either the continuance of or the substantial altering of this structure are regularly advanced from many quarters. It is suggested that the Commission evaluate numbers of these proposals in terms of a variety of considerations such as: Will the proposal make the education system more accountable to the pupils who attend specific schools and school systems, their parents, and the community? Will the proposal generate higher productivity in the sense of more efficiently creating or increasing educational achievement? Will the proposal stimulate greater variety in educational offering, more responsive to the diverse needs and desires of families and communities around New York State? Will the proposal create greater justice by equalizing educational opportunity? Will the proposal maximize the freedom of parents and their children to experience in the educational system learning environments of their choice?

Restructuring in the public system—Involving many issues and a traditional focus of educators is the question of possible structural reforms in the existing public school system. It is suggested that the Commission approach these issues from both the school district and individual school level. One issue is size. Should there be school district and school building consolidation (educational parks) for the purposes of attaining economies of scale? Should there be school and school district fragmentizing, particularly in large urban centers, for the purpose of more personalizing the provision of educational services? Another problem relates to school district boundaries and the issue of metropolitanism. What is the appropriateness of changing boundaries so as to create a greater heterogeneity of pupils, for example, by incorporating parts of cities with parts of suburbs? A different focus is attendance patterns. Here enter questions of racial and social class integration and neighborhood schools which seem at times to be thrown into opposition because of the socioeconomic residential patterns existent in the state. Open enrollment (free transferability) and non-neighborhood assignment patterns (sometimes labeled "busing") are part of this area.

At the level of the school building itself, a number of proposals seem appropriate for consideration. One is that of extending the school year in an effort to provide both cost savings and year-round educational opportunities.

Another is flexible class scheduling. Another is the notion that the school should be a center for community activities.

Where and how various decisions about the educational system should be made and which parties should participate in these decision-making processes is also a part of this area. Thus, proposals for centralization, regionalization, and decentralization of various functions would be addressed. As part of such an inquiry, it is appropriate to consider the present and future roles of education administrators and school boards.

For all of these issues, the ultimate evaluation that must be made by the Commission is what kinds of policies will best steer the educational system in a direction most consistent with its objectives.

Private provision—In deciding what the public policy attitude toward existing private schools should be, it is important for the Commission first to comprehend a number of specific facts about them, including the directions in which they might be headed under various assumptions. To that end, it is suggested that the following questions be examined: What are the demographic characteristics of those served by private schools? How do such schools raise money to pay for the education they offer? What are the costs experienced by such schools? How well do pupils attending them perform? What are their expected cost trends, nonpublic revenue sources, and long-term enrollment? Assuming various levels of public support of such schools, including no support, what is the likely impact on enrollment and costs? At what point will support levels begin substantially to stimulate increased private-school attendance? What are the public cost consequences of minimal support? What would be the impact on the private-school structure were state support to go solely to the children of poor people or to such private schools that serve children of the poor? Having made such quantitative analyses, the Commission will then evaluate the appropriateness of a changed policy toward aid to existing private schools. As part of this evaluation, the Commission might well wish to survey attitudes of New Yorkers on the question of aid to religious schools.

Stimulating new private schools—A number of suggestions, typically revolving around voucher plans, have been set forth in recent times to increase substantially the number of private schools. All of these plans share the feature that state money, which would otherwise be invested in the public schools, would be diverted, along with pupils, to private providers who would perform the educating function. The Commission will inquire first into the specifics of the various mechanisms which have been proposed in this area. This examination will include those plans in which (a) vouchers are uniform and represent the full amount of money to be spent on the pupils, (b) vouchers may be supplemented by parental tuition, (c) vouchers vary in amount depending upon financial need, (d) vouchers vary in amount depending upon some measure of educational need, and (e) vouchers vary in amount depending upon the interest a family has in education. It is expected that an examination would be made of past uses of voucher systems in education around the country as well as in other countries.

Private enterprise in the public system—Numerous proposals have been made regarding the infusion, on a contract basis, of private enterprise into the

public education system. That is, the public schools would select and pay those in the private sector for the performance of public-determined educational tasks. It will be seen that, in theory at least, this is quite a different use of private enterprise from that contemplated in the voucher plan area described above. Thus, the Commission will evaluate various performance contract proposals. These include contracting out (a) for specific subjects, such as reading; (b) for certain kinds of programs, such as vocational and special education; (c) for certain age groups, such as prekindergarten (day care centers); and (d) for specific means of instructions, such as computer-assisted mathematics training or audiovisual presentations. Contracting out also involves the possible turning over of complete schools to a private provider for one or more years, or the turning over of specific groups of pupils for all their education to private providers for some period of time. Also, these performance contract proposals involve work-study programs with businesses.

New Brunswick's Experience with 100% Provincial Support

A. H. Kingett

SO THAT YOU MAY BETTER APPRECIATE or compare the implications and to-date results of New Brunswick's Program of Equal Opportunity (the name given to the Province's taking over control of education, justice, municipal affairs, and welfare), let me give you a few facts. New Brunswick is a small province of 28,000 square miles with a population of approximately 600,000, 60 percent of which is of English origin and 40 percent of which is of French origin, thus necessitating a bilingual program in most areas, including our own professional organization.

Before the Introduction of Equal Opportunity in 1967

Prior to January 1967, there were 35 separate school boards or finance boards that were responsible for the financing of education in their respective areas. The provincial government had an antiquated grant system, but most of the monies required for education were raised by local taxation. There were 15 counties and all but one of these had a county finance unit. In addition to these 14 units, there were 21 cities or towns in which school boards worked independently of the county unit insofar as financing was concerned. Then in each of the counties there were varying numbers of school boards, depending on the number of school districts, and these came within the jurisdiction of the county unit. In all there were over 400 school districts, each with its own school board, ranging in size from 3 members to 15 members, according to the size of the school district.

The county finance board or school board made up its school budget for the year, and this budget was presented to the appropriate county council or city or town council, and according to the laws of the province this budget could not be changed, either increased or reduced, by the said council, but the funds had to be provided as called for in the budget. This certainly tended to make school boards or finance boards completely autonomous insofar as finances and budgets were concerned. This was often a controversial point, and councils sometimes tried to get members on the school board to help control the size of the school budget.

The Byrne Report

In March 1962, the provincial government of the day set up a Royal Commission on Finance and Municipal Taxation in New Brunswick headed by Edward G. Byrne, and the report of this Commission has come to be known as the Byrne Report. The terms of reference given to this Commission

were wide and varied, and over a period of 20 months they produced a 330-page document with an appendix of approximately 200 more pages.

The Commissioners presented their Report as a package deal and, argued and warned that any attempt to implement it piecemeal would be disastrous, and render null and void any benefits which might be expected from implementation of the Report. As might be expected, the Report was attacked on all sides as practically all authority in the fields of finance, municipal governments, education, justice, and welfare was transferred to the provincial government, special independent commissions, and the Treasury Board of the Provincial Government.

The New Brunswick Teachers' Association, of which all teachers in the province are automatically members, violently opposed certain aspects of the Report, the main ones being stripping local school boards of all authority, the training, certification, and placement of teachers, and providing for a provincial salary scale which could not in any way be changed or supplemented by any local or provincial authority.

The government invited briefs or submissions from the general public and any interested associations or societies, and set up a Law Amendments Committee of the Government to receive these submissions. The New Brunswick Teachers' Association, in conjunction with the Provincial Trustees' Association, had made a submission to the Byrne Commission during its hearings before its Report was submitted. Our Association made more than one submission to the Law Amendments Committee as well as to the Premier and Provincial Cabinet.

Legislation on the Byrne Report

In the fall of 1965, the provincial government introduced in the Legislature Bill 137 entitled "Schools Act." This was explained by the Premier in a White Paper as an Act which was introduced to give the people of the province a further opportunity to study what was being proposed and to make known once again their views to the Law Amendments Committee. This Bill was a 24-page document and was most restrictive in that it gave the Minister of Education unlimited powers, ignored the setting up of independent commissions free from government control, and practically stripped local school boards in the 33 proposed districts of any semblance of power or authority. Our Association once again went before the Law Amendments Committee, voicing our opposition to this Bill.

At the spring session of the Legislature in March 1966, a new Schools Act was introduced as Bill 22. This Bill reflected many modifications of the previous one, but still provided for the complete financing of education, including teachers' salaries, by the provincial government, and the taking over of all school buildings, school-board funds and/or liabilities as of January 1, 1967.

Introduced at this time was another Bill called the "Financial Administration Act", section 5A of which completed the usurping of school-board authority and transferring it to the Treasury Board of Government, and this situation has not changed.

The cost of implementation of this program of Equal Opportunity including the taking over of education, was estimated at a figure which would cause the provincial debt to be increased by $9.7 million. When the financial statement was presented more than a year later, however, the government revealed that this estimated deficit of $9.7 million had soared to a deficit of $4.2 million. In 1968-69 the estimated increase in the provincial debt was $9 million, but was actually $30 million.

Taxation

All the taxes in the province are collected by the provincial government. There is a base property tax of $1.50/$100 assessed valuation set in 1967, with a government guarantee that it would not be increased for a minimum period of five years and is based on the assessed value which is supposed to be the real or market value. Although the $1.50 rate has not been changed, most citizens have had the assessed value of their property increased since 1967, some considerably, and some, no doubt, with justification. In addition to the $1.50 tax, incorporated cities, towns, and villages must also levy sufficient taxes to provide local services such as public works (streets and roads, water, and sewerage), snow removal, local government, recreation, safety (fire and police), and salaries. This rate varies with the types of services provided.

Another big factor in the amount of taxes paid depends on the location of the property. The assessment on two identical properties in different parts of the province could vary greatly, depending on the supply and demand in each area.

In addition to this we now have in New Brunswick an 8 percent sales tax, the highest in Canada. Prior to 1967 it was 4 percent, in 1967 it was increased to 6 percent, and in 1969 to 8 percent. During this same period the tax was made applicable to items previously exempted, such as footwear, non-prescription drugs, long-distance telephone calls, telegrams, and hotel and motel accommodation. During this same period the fee for driver's licenses was increased by $4.00, car registration fees increased 50 percent, a provincial surtax of 10 percent was imposed on federal income tax, along with increases in taxes on cigarettes and gasoline.

Equal Opportunity in Education

Now to be a bit more specific about education itself. The number of school districts in the province was reduced from over 400 to 33, as stated earlier. Each school district has its own school board and a limited number of administrative employees. The school board is also charged with the hiring and firing of teachers. The number of teachers authorized for each district and the rate of salary they will receive, based on qualifications, experience, and degree of responsibility, must be negotiated with the Treasury Board. Thus the question arises, Who is the employer, the school board or Treasury Board? a question that has yet to be answered.

In determining the number of teachers a board may employ, the Department of Education uses the magic formula of dividing the number of pupils in the district by 23. The resulting figure is the number of teachers allowed in that district, including principals, vice-principals, department heads, special-

ists, etc., and it is up to the board to allot them to the various schools as it sees fit. The school board may decide the facilities or buildings it needs, but the final decision on the location and provision of these is made by the provincial government. Unlike the situation before 1967, the school board now prepares its budget, but then the board officials must go hat in hand to the Department of Education in Fredericton where the budget is scrutinized and any adjustments made which are deemed necessary or desirable by the Department, the Department having been advised by Treasury Board how much money it may have to spend.

Textbooks are provided by the provincial Department of Education free to all pupils in the first nine grades and on a rental basis in grades 10 to 12, but often the orders submitted are cut back and pupils often wait weeks in the fall after the opening of school for re-ordering so that there may not be enough books to go around. The same has been true of desks, chairs, and other necessary equipment.

Supplementary Programs

Section 6 of the Schools Act reads as follows:

The Minister

(a) may prescribe or approve textbooks and apparatus for use in schools;
(b) may recommend or approve books for school libraries; and
(c) may prescribe
  (i) courses and standards of instruction for all school districts, and
  (ii) for any school district pilot, experimental and summer school courses and programs.

Any school district wishing to implement a supplementary program not provided for in this section must apply to the Minister for approval. Then according to section 12 of the Schools Act,

(1) Subject to subsection (3A), when a school board makes a proposal for a supplementary program, the Minister

(a) shall publish the relevant facts in a newspaper having general circulation in the school district;
(b) if, within fifteen days following the publication under clause (a), five per cent or more of the eligible voters of the school district protest in writing to the Minister against the implementation of the program, shall conduct a plebiscite in accordance with this Act; and
(c) if, within fifteen days following the publication under clause (a), less than five per cent of the eligible voters of the school district protest in writing to the Minister against the implementation of the program, shall advise the school board to implement the program.

(2) No supplementary program shall be initiated until subsection (1) has been compiled with.
(3) Subject to subsection (3A), when a plebiscite is to be held, it may be held on the second Monday in June of each year beginning in the year following the elections of the first school boards under this Act.
(3A) If, following the fifteen day period provided for in clause (b) of subsection (1), there is less than 75 days between that time and the time for holding a plebiscite under subsection (3), the plebiscite may be held on the second Monday in June of

the year following that in which the proposal for a supplementary program is made.
(4) When a majority of those who cast their ballots as eligible voters do so in favor of the supplementary program, the Minister shall advise the school board to implement the program.
(5) Each year the Minister shall advise the Minister of Municipal Affairs of the amount of money required to implement or operate a supplementary program in a school district.
(6) The Minister of Municipal Affairs shall raise the money required under subsection (5) by taxation within the school district in accordance with the Real Property Tax Act.
(7) The Minister of Municipal Affairs shall pay any money raised under subsection (6) to the Minister.
(8) Each year the Minister shall account to each school board for the expenditures made by him in that school district for any supplementary program.

Also included in supplementary programs would be school bands, orchestras, kindergartens, and swimming pools and upkeep of existing swimming pools.

Federal Grants

Although there is no federal Department of Education, and according to the British North American Act of 1867, education is a provincial matter, the federal government does make available to provinces large federal grants, provided the school or complex being constructed meets certain vocational requirements. This, unfortunately, often dictates the type of school built. At present, the new Minister of Education is stating that unless more money is forthcoming from the federal government, there will have to be cutbacks in school construction.

School-Board Authority

The new Minister of Education says his aim is "more authority for school boards." The following quotation is from an interview which the Minister gave to the news media in March of this year:

Education Minister J. Lorne McGuigan says he intends to make the education department a little more responsive to grass-roots views than the previous administration did.

School boards will be given more authority and their views on major matters will be solicited. Mr. McGuigan says he intends to talk with all boards in the coming months.

"In this manner," he suggested, "we can develop a rapport that maybe is lacking now, but is essential if we are going to have good education. This would have to be a priority."

Mr. McGuigan blamed poor communication between the department of public works, the architects, contractors and school boards for the creation of some problems of deficiency found recently in several new multi-million dollar school complexes.

"This has been true for a considerable length of time and was the situation we inherited," said Mr. McGuigan. "What we've done initially was to try to get better communication—between the four groups I've mentioned."

"Representatives of the school boards are to be kept informed in future."

He said some of the problems can be traced to the fact that the specifications were changed after they left the department of education. The changes were made by the department of public works.

"I would say that monetary considerations were there when they made certain changes in design. Quite often these changes were erroneous changes," said Mr. McGuigan.

Turning to school construction during the next fiscal year, he said one of his biggest problems is to cope with the "great flurry" of school construction which took place last year between May and the middle of November.

"They let contracts for $21.5 million which were not paid for in progress phases," he said. "It was carried over to the next fiscal year and when we came in we found next years budget already had a commitment of $19 million."

"We have to finish these schools that are already started and with a commitment of over $19 million it may be very difficult for next year to carry on at the pace we would like to."

Mr. McGuigan said this will depend on how much in capital expenditures the budget will allow. He hinted an upcoming agreement with the Canada Department of Regional Economic Expansion may have an important role to play.

As a general principle, I think we would like to see the school boards have greater autonomy. He's considering "in what areas would it be best for them to have authority and to what extent."

Mr. McGuigan said his department also "hopes to move" in the direction of greater budget authority to the province's school boards.

"The school boards generally throughout the province are demonstrating a considerable amount of responsibility in the management of their funds. They are doing a pretty good job and it is quite possible they will be given even more authority on where they will disperse the money."

Mr. McGuigan said "pretty good strides" are being made in curriculum although some say the move is too quick.

"There was a lot of work done on the high school level and as a result, we have sort of worked down to the elementary and junior level. As far as curriculum goes, we are not in the process of deleting too much of anything without putting something comparable or better in its place", he said.

"You can't offer everything. We give them lots of options and the board has to decide which one is better for their particular area. Curriculum is an ongoing thing and it must be that way."

Additional benefits to the province's handicapped is something Mr. McGuigan expects to push vigorously.

All this is fine and commendable, but you still come back to the same problem or source of criticism or complaint, it is really the Treasury Board of the provincial government that calls the shots and makes the final decisions, as it is the Treasury Board that controls the purse strings.

Teachers' Salaries and Negotiations

During the summer months of 1966, the Teachers' Association negotiated with the Minister of Education for a provincial Memorandum of Agreement on Salaries and Working Conditions to become effective in 1967. As a result of the Association's having put a great deal of work into its preparation, negotiations went very smoothly and were conducted with comparative ease. The results were generally well accepted by the teachers of the province. At that time there were those who believed that this was a move to convince us how wrong we had been in our opposition to the new program and that future negotiations might follow a slightly different pattern. Unfortunately, our suspicions or fears were justified as well as verified.

Let me refer for just a moment again to the first scale which was negotiated. Approximately 82 percent of the teachers in the province received increases. Those who did not had for the most part at the local level received for one reason or another supplementary amounts which put their salaries well above any scale in effect in that district. The average increase received by the teachers, who numbered 6,400 at the time, was 14 percent, with a minimum increase for any unit being 3 percent and the maximum being 32 percent. The teachers in 13 of the financial units received less than 10 percent on an average, those in 14 other units received between 10 and 20 percent, those in seven received between 20 and 30 percent, and in one county unit the increase was 32 percent. This Memorandum of Agreement was for an 18-month period covering January 1967 to June 30, 1968.

When it came time to negotiate the second time, we found that the Minister of Education had much less authority than he did the first time around—meetings were hard to arrange and were cancelled on short notice, and money was scarce. The books were being balanced after 15 months of the Program of Equal Opportunity. As the result of this negotiating effort, we finally had to settle for a 30-month contract, during the first six months of which there was no change in the salary scale. During the second six months there was an increase of approximately 6 percent at the bottom of the scale and of 5 percent at the top. The third period covered July 1968 to December 1970 and allowed no increase in the first two categories with the exception of one additional $200 increment. The top category received a 2 percent increase.

Public Service Labor Relations Act

During the term of this contract, the government introduced legislation which brought teachers, along with all other public employees, under the Public Service Labor Relations Act. As a result of this, it was necessary for the teachers to apply for a bargaining agent to bargain for them, and their choice was their provincial professional organization. We were opposed in this by the Canadian Union of Public Employees. After a long drawn out, costly battle before the Public Service Labor Relations Board, our application was denied on the grounds that we had discriminated against holders of local permits, who are people with no professional training who teach on a permit issued by the Department for one term at a time. Although we amended our bylaws to include these people so that we might be certified, our application was still denied. We appealed the decision to the Supreme court of New Brunswick and won our case, and were thus subsequently certified by the Public Service Labor Relations Board as the bargaining agent for the teachers of the province.

Present Negotiations

All this, of course, delayed the start of negotiations so that we were not able to start formal negotiations until January 4, 1971, after the expiry date of our previous Memorandum of Agreement. This procedure is also becoming involved and drawn out and we have now reached the stage as of March 10, when I am writing this, to the point where the Treasury Board (representing

the employer) has broken off negotiations. The chairman of the Public Service Labor Relations Board declined the employer's request to name a conciliator, and the Public Service Labor Relations Board is now in the process of setting up a conciliation board, the findings of which will not be binding on either party. If this board is unsuccessful in resolving our differences, the matter can, by mutual agreement, then go to arbitration. If this happens, the findings of the arbitration board are binding on both parties. If arbitration is not agreed upon, teachers have the right to strike. In the meantime, over 85 percent of our teachers have forwarded to our central office their resignations with permission for us to submit them on April 30 to take effect June 30 if deemed necessary.

Leveling Off of Educational Standards

One of the fears expressed by our Association was that the Program of Equal Opportunity would lower the standard of education in many parts of the province while bringing it up in others, resulting in a mediocre average. Again, it seems those fears are being realized. While we are in complete sympathy with backward or rural areas being subsidized so that the pupils there might have a high standard of opportunity, we are opposed to the cancellation or curtailment of pilot projects, experimentation, and innovations in other areas that are willing and able to pay for them. Similarly, we have not changed our stand on the subject of a provincial scale which cannot be supplemented even if the citizens of the school district are willing and able to pay for it.

Competition vs. Cooperation Among Government Departments

There has developed considerable bickering among government departments over who will do what. For example, the building of schools has been removed from the Department of Education and placed with the Department of Public Works. A guidance program is conducted by both the Department of Education and the Department of Youth, with considerable friction. The Department of Finance calls the shot on all expenditures.

Change of Government, October 1970

The provincial debt is continuing to soar and the Liberal Government, which implemented this program was voted out of office last October after having been in power for 10 years. One of the first acts of the new Government was an independent audit of the province's finances. As might be expected, the former Government and the new Government do not agree on the ramifications of the auditor's report. According to the audit, the budget of the former Government predicted a net debt increase this year of $14 million. The auditing company, however, predicts a net debt increase in the order of $53 million. Regardless of the explanation, it seems that the net debt of the province is increasing by leaps and bounds. Just how long this can continue is anyone's guess.

As outlined in the quotations from the present Minister of Education, in practically every new school complex that has been erected in the past year or 18 months, there have been major problems with ventilation, heating,

completion, supplies, equipment, etc. to the extent that considerable time has been lost by the pupils. Some departments, especially vocational, are practically completely curtailed in their activities, and everyone blames everyone else for the problems. To one who is not an expert in finance or government, it seems that possibly through poor advice from some of its economic advisors, the Government attempted too much too quickly with the result that the finances of the province and many aspects of the educational system appear to be in anything but a favorable state today.

Summation

Now in summary, what do we have? It is most difficult, if not practically impossible, to give a fair, unbiased and definite appraisal of the Program of Equal Opportunity to date. There is no question that some areas, and teachers, pupils, and families in those areas, have definitely benefited from the program. There is no question that services in some areas have been curtailed. There is no question that some areas that could have paid for improved facilities and services before but did not, are now most indignant that they are not at the top of the priority list.

There is no question that the salaries of some teachers are now less than they would have been had the present scale not been forced upon us.

There is no question the terms and conditions of employment have greatly improved as a result of the negotiated Memoranda of Agreement with the Provincial Government.

There is no question the Minister of Education is on the right track when he talks of returning to school boards a degree of autonomy that was taken from them.

There is no question that since a portion of school-board members are appointed by the Government with the remainder elected by the people, both the Government and the people must put aside party politics and petty differences, and see that we have board members who, in the deliberations and decisions, put education first.

In my own opinion, it is impossible at this time to balance the ledger to see if we are in the black or the red insofar as over-all benefits are concerned. The program is an ambitious one, a costly one, maybe too ambitious and too costly for a small province such as ours with limited resources. On the other hand, nothing ventured, nothing gained.

Perhaps a new government will be able, through an objective approach, to assess and correct some of the glaring faults or weaknessess which should be more easily discernable to them since they did not conceive the original plan.

Much needs to be done. We are too committed to scuttle the program nor do I personally believe this would be wise or desirable.

I do believe, however, that we undoubtedly have reached a point where we need strong, decisive, bold but realistic leadership, and trust it will be forthcoming in our present Minister of Education who, until last October, was himself a classroom teacher, and who must, in return for the challenge and responsiblity he accepted when he accepted the Ministry of Education, assert his influence on the Premier and his fellow cabinet ministers to provide the best, at costs within our reach, for the citizens of our province.

Taxpayer Resistance to Adequate School Support

Morris Levitt and *Eleanor Feldbaum*

EDUCATION IS PRIMARILY the responsibility of local governments. Local finance processes provide 71 percent of the revenues for public education. If viewed in financial terms, education is the most significant local function. In the fiscal year 1966-67, expenditures for all local functions totaled $59,101,000. Of this, nearly half or $28,534,000 was spent for education.[1]

In recent years, the public has been alerted to many problems confronting the educational establishment. Among these are teacher militancy, deepening of urban school problems, cultural and racial ferment, the impact of instructional innovation and change, implications of technology for education, pupil and teacher desegregation, and the search for new programs to help the educationally disadvantaged. Underlying all problems is the basic one, unrelenting financial shortages.

Local expenditures for all governmental functions have risen rapidly and steadily since World War II. In the 10-year period, 1958-68, (local) government allocations for schools rose 108 percent.[2] The increase in expenditures has been due to the increase in the number of school-age children who are attending school longer than in earlier decades, and who are being taught a wide range of complex subjects requiring advanced equipment and skilled personnel.

Local governments have been finding that local tax resources have not been keeping pace with the spiralling costs. The property tax remains the largest source of local revenue.[3] This source of revenue is dependable and constant, unlike expenditures.

An illustration is provided by Utah's budget problem. In 1969 the Utah Education Association called for an increase of $61 million in educational expenditures. To accommodate this request, the state would have had to raise the general sales tax rate 1 cent, individual and corporate income taxes 25 percent, and the property tax 11.9-13.9 mills.[4]

Particularly affected by the financial squeeze are the central cities and their surrounding suburbs. Two-thirds of all pupils attending public schools are enrolled in metropolitan areas: 26.1 percent in the central cities, 38.6 percent in surrounding suburbs and 35.3 percent in nonmetropolitan areas.[5] Increasingly, these local governments have been finding that revenue sources are barely sufficient to meet operating costs to maintain the established systems. Yet, other factors require an expanded system, and funds have to be obtained for capital expenditures. Suburban communities are struggling to meet rising enrollments caused by the increasing influx of families with school-age children. Central cities, faced with deteriorating school buildings

and outmoded equipment, must meet the massive needs for new and rehabilitated physical facilities. Thus, local officials are being forced to find sources of revenue, other than taxes, to finance capital expenditures.

From 1967-68 to 1970-71, over $4 billion a year has been spent for capital outlay. To cover such expenditures local officials have chosen to incur debt through the sale of bonds. The preference for this type of financing can be seen in that 80 percent of the cost of school construction has been financed by bond issues.[6]

Increasingly, decisions to raise funds through the sale of bonds have met a major stumbling block—the public. Forty-seven states require voter approval for bond sales. (The three exceptions are Alabama, Hawaii, and Indiana.) In 32 of these states voter approval is required only for some school systems.[7] The voters are becoming more and more reluctant to approve such sales. On the basis of dollar value, from 1959 to 1968 the average rate of approval was 67 percent; in 1969, the rate of approval was 43.6 percent.[8] This study is an attempt to understand the phenomenon of voter rejections of school bond issues.

Literature Review

Voter reaction to all types of referendum proposals has been essentially negative. Studies have been made of voter reaction to such referendum issues as flouridation of drinking water, fair housing, local jurisdictional changes, and public expenditures to identify the factors that may account for the negative response of voters. Some researchers have focused upon voter attitudes and how these attitudes relate to the political conflict which may surround the specific issue. Their findings suggest that citizens participating directly in policy decisions are not well informed, and thus are easily confused when they are presented with conflicting opinions over the desirability of a proposed policy. They have noted that there is a positive correlation between the level of information and the level of interest, and a negative correlation between the level of confusion and the socioeconomic status of the voter.[9]

Wilson and Banfield studied voter response to 35 local bond and other public expenditure referendums in seven cities to test the hypothesis that "the voting behavior of some classes tends to be more public-regarding and less private-regarding than others." They concluded that high-income homeowners (especially Anglo-Saxon and Jewish Americans) and low-income renters (especially black, Irish, and Polish Americans) are more likely to favor public expenditures of any kind than are middle-income homeowners (especially of Irish and Polish extraction).[10]

Hawkins interviewed 181 individuals residing in the Nashville area to detect what kinds of voter attitudes underlie opposition to or support for metropolitan reorganization proposals. He found that support for such proposals was positively correlated with dissatisfaction with services, non-anticipation of higher taxes stemming from reorganization, education levels higher than grade school, and understanding of metropolitan problems.[11]

Most articles on school bond referendums are to be found in education journals. They emphasize the merits of a well-planned campaign. They are

generally short essays based upon the various authors' observations of a bond election in a single school district. The typical title would be "How to Manage a Successfull Bond Issue."[12]

In their 1960 study for the U.S. Office of Education, Carter and Odell conducted surveys in 1,054 school districts whi h had held school bond elections. The responses indicated that various demographic characteristics

TABLE 1.—FACTORS MENTIONED MOST FREQUENTLY AND HAVING THE HIGHEST WEIGHTED MEAN, CALIFORNIA ONLY

Rank		Selected variables	Weighted mean	
Voters	Officials		Voters	Officials
1	2	3	4	5
1	1	Percentage of vote required for passage	2.7215	2.9250
2	2	Level of the local school tax rate	2.6329	2.4375
3	4	Level of the local over-all tax rate	2.5949	2.3750
4	3	Unification election scars	2.5571	2.4533
5	6	Inflationary trends in school costs	2.4324	2.2308
6	5	Conflict between elementary and secondary district bond or tax elections	2.3529	2.3729
7	12	The nature of the proposed construction program	2.3077	1.9250
8	9	Economic level of the community	2.2208	2.0380
9	29	Dissatisfaction with the administrative staff	2.2152	1.6296
10	25	Criticism of schools	2.2152	1.7160
11	11	Inclusion of the bond issue in an omnibus proposition	2.2075	1.9815
12	8	Geographic area included in the district	2.1688	2.0506
13	13	National political, social, or economic problems	2.1190	1.9150
14	7	State political, social, or economic problems	2.1169	2.1600
15	10	Percentage of citizens age 65 or older	2.1139	1.9877
16	14	State required election procedures	2.1039	1.9103
25	15	Lack of interest in local public schools	1.9114	1.9048

SOURCE: Barr, W. Monfort, and Lindley, A.T., "Bond Issue Election Defeats:1966-67." *Fiscal Planning for Schools in Transition.* Proceedings of the Twelfth National Conference on School Finance of the Committee on Educational Finance. Washington, D.C.: National Education Association, 1969. p. 200.

correlated with voter approval or rejection. For example, they found that the voter most likely to approve the sale of bonds was young, employed in a skilled or clerical and sales occupation, and had school-age children. The voter most likely to reject such sales was young, employed in a professional or technical occupation, and was childless.[13]

Barr and Lindley interviewed public officials and local community leaders in 80 school districts, in five Western states, to obtain opinions as to why school bond referendums had failed in each community.[14] Their findings for California are presented in Table 1.

Educators have labeled the high level of voter rejection to school bond referendums as a "taxpayer's revolt." This inference was argued in an article in the *National Observer* entitled "Voters Send a Note to School: Cut the Budget." The author reasoned that school bond elections provide the only opportunity for a voter to protest all rising taxes. Other reasons noted were inequity of property taxes, inflation, discontent with new educational policies, and racial or political fears.[15]

Flanigan cautioned against accepting the notion of a taxpayers' revolt. She noted that school bonds have been approved by voters more often than have bond proposals for other purposes. Thus, she concluded that there could be no basis in fact for such an inference.[16]

Minar[17] studied the public reaction to school bond elections held in 48 suburban school districts in Cook County, Illinois. Among the hypotheses he tested were:

1. Voter rejection was due to a taxpayers' revolt.

2. The likelihood of school bond approval increases when the referendum is held at a time different from that of a general election.

3. Individuals with high socioeconomic status (i.e., having a college education, an income over $10,000 per year, and a professional or managerial occupation) would be more "education-oriented" and, thus, more likely to support bond issues than would be persons of lower socioeconomic status.

Minar's findings did not confirm any of the three hypotheses.

Other researchers have stressed that voter rejection of referendum questions is a consequence of alienation. Referendum is a convenient device for registering protest—"preventing an ill-defined them" from putting "this over on us." Stone, using data collected for a study of 18 bond referendums held between 1953 and 1962 in a small town designated "Littleton," tested the hypothesis that alienation is conducive to political negativism. He found that referendums affecting school expenditures were uniformly unattractive to all voters. However, differences were noted for reactions to other public expenditures. Low socioeconomic status groups rejected bond referendums for non-school purposes at a higher rate than did upper socioeconomic groups.[18]

Beal, Hartman, and Logomarcino made a comprehensive study of school bond elections in 195 school districts in Iowa held over a five-year period (January 1, 1960, to December 31, 1964). They selected the following variables to correlate with bond passage or rejection: district population, school enrollment, school tax levy, assessed valuation per pupil, amount of money requested through bond sales, tax base, rate of tax increase, number of past

school bond elections, campaign communication techniques, voter turnout, and closeness of the election. They found no significant correlations between these variables and the election outcome.[19]

In recent years public opinion polls have asked citizens to express their opinions regarding the quality of education that children have been receiving. During October 1963 a nationwide sample was asked by interviewers from the American Institute of Public Opinion: "On the whole, would you say that you are satisfied or dissatisfied with the education the children are getting?" Sixty-nine percent of the white respondents expressed satisfaction, 24 percent were dissatisfied, and 7 percent expressed no opinion. In contrast, only 45 percent of nonwhite respondents expressed satisfaction, 42 percent were dissatisfied, and 13 percent expressed no opinion.[20]

Harris and associates conducted polls during July 1963 and February 1965 to elicit responses from a nationwide sample of blacks. On both occasions the question asked was: "All in all, do you feel your children are receiving as good an education as white children around here, or are they not getting as good an education?" In the 1963 survey, 35 percent of the respondents felt that their children were receiving as good an education as were white children; and, in 1965, the percentage rose to 47. In 1963, 48 percent felt that the education of blacks was inferior, and in 1965, this figure dropped to 40 percent. The majority of those feeling that the education was good, cited school integration as the reason. The prime reason given by those feeling that the education was inferior was that Negro schools had inferior facilities.[21]

A poll of Minnesota residents was conducted by the American Institute of Public Opinion during February 1967. Those interviewed were asked: "Do you think public schools generally do a good job, or poor job of preparing children for their future?" In June 1967, the Institute asked a nationwide sample the same question. The findings of the two studies[22] were as follows:

	Minnesota	Nationwide
Good job	77%	71%
Fair job	2	...
Poor job	14	19
Other answer	5	...
No opinion	2	10

During March 1965, an American Institute of Public Opinion Poll asked a nationwide sample:

> During the next few years, taxes to support the public schools will increase sharply, chiefly because there are many more children to educate through high school. Should the federal government pay more of these costs or should the states and local communities continue as at present to meet almost all educational expenses for the public schools?

Only 49 percent of the respondents felt that the federal government should pay a larger share; while 42 percent believed that financing public

education should remain the responsibility of state and local governments (9 percent expressed no opinion).[23]

Hypotheses and Variables

I. The acceptance of school bond referendums is related to the demographic characteristics of the residents of the locality in which such elections were held. The variables used to test this hypothesis were age, race, occupation, education, income of the population, and whether urban or rural.

II. The high rate of school bond referendum rejections can be viewed as a taxpayers' revolt. The variables used to test this hypothesis were the localities' sources of tax revenue, the localities' amount of outstanding debt, the amount of money requested through bond sales, other bond proposals the voter was asked to approve the same year, the percentage of owner-occupied dwelling units, the percentage of the localities' land in farms, and the month during which the election was held.

III. The acceptance of school bond referendums is related to the teaching and service characteristics of the school system. The variables used to test this hypothesis were pupil-teacher ratio, number of auxiliary professional school staff, number of teachers with a bachelor's or a master's degree, expenditures per pupil, and the services that the school district provides to pupils and their families.

IV. Voter approval of school bond referendums is related to institutional factors of the school system. The variables used to test this hypothesis were school enrollment, number and level of schools within the school district, and the number of square miles encompassed by the school district.

Methodology and Data Collection

Local officials may seek popular approval for the sale of school bonds for a variety of purposes. Some bond proposals are designed to borrow funds for constructing vocational school or junior college facilities. Others seek funds for supportive services, such as the busing of pupils or the purchase of school equipment. To test the four hypotheses, only those school bond referendum proposals for elementary and secondary school construction purposes were considered. By doing so, it was possible to keep constant the issuing agent (i.e., the school district). It was also likely that benefits from such bond sales rather than those from more specified proposals would accrue to a general population. In addition, bond proposals for elementary and secondary school construction purposes are presented to the electorate at a greater frequency and in a wider range of localities than are other bond proposals.

To test the hypotheses, only those localities having school bond referendums (for elementary and secondary construction purposes) during the 1969 calendar year were selected. The year 1969 was chosen because it was the year most recent to the initiation of this study, and because it marked a record period for voter rejections—44.7 percent of the proposals, totaling over half ($2,282,000,000) of the amount of money requested through the sale of bonds, were turned down at the polls.[24]

The communities in which school bond referendum elections were held in 1969, and the outcomes of such elections were identified through an

inspection of the *Daily Bond Buyer* from January 1, 1969, to December 31, 1969. The data provided by the *Daily Bond Buyer* for each bond referendum were the locality where such referendum was held, the month of the election, the issuing agent, the type of bond, the purpose of the bond, the amount of money requested, and the outcome of the election.

There were 1,266 school bond referendum proposals presented to the voters in over 1,000 communities in 42 states in 1969. The total amount of money requested was $4,035,000,000. Four criteria were established in order to select a sample of communities (from the over 1,000) for careful study. These were:

1. That a simple majority was required for approval of the bond referendum.

2. That school systems were coterminous with the political boundaries of a local government

3. That no more than three localities were to be from the same state

4. That the distribution of the outcomes of success and failure were adequately reflected.

Twelve states were identified in *Bond Sales for Public School Purposes: 1967-68* as having the requirement of a specific percentage figure above 50 percent for approval of the sale of bonds: California, Idaho, Iowa, Kentucky, Massachusetts, Missouri, New Hampshire, New York, Oklahoma, South Dakota, Washington, and West Virginia.[25] These states were excluded from the sample to maintain uniformity so that comparisons could be made.

It was necessary to select those school systems which were coterminous with the political boundaries of a local government in order that the necessary data pertaining to the variables could be obtained. These were identified through a search of the unpublished responses to questionnaires mailed to every school district superintendent by the U. S. Bureau of the Census School Directory Survey of the 1967 Census of Governments. These questionnaire schedules provided the following data for each school district: whether a school district was coterminous with a political jurisdiction, the number of schools by level per district, the school enrollment at each level, the number of square miles within the district, whether the district included a city of over 25,000 population, and the number of elected and appointed school board members. Of the more than 1,000 communities identified as having held school bond elections in 1969, 121 school systems in 16 states were found to be coterminous with the political boundaries of a local government.

Most states had three or four school districts (in which school bond referendums were held in 1969) which were coterminous. However, some exceeded this number. For example, in New Jersey, 50 such districts were coterminous. To keep some geographic balance within the sample, three localities were selected at random from those states having numerous coterminous school districts.

To select a sample in which an adequate number of referendum election successes and failures would be present, the criterion that the sample reflect

the distribution of the total referendum outcomes was established. The *Daily Bond Buyer* provided referendum outcome data for each locality.

Forty-four localities in 16 states presenting 46 school bond proposals to the electorate (of which 25 were approved and 21 defeated) met the four criteria. See Appendix.

To test the first hypothesis, data pertaining to the variables of age, race, occupation, income, and education were obtained from the *County and City Data Book, 1967*[26] and the *U. S. Census of Population: 1960.*[27] Those schools which contained a city with a population of over 25,000 were defined as urban, and those which did not were defined as rural. As noted above, these data were obtained from the unpublished mailed questionnaire responses to the U. S. Bureau of Census survey.

The data pertaining to the variables selected to test the second hypothesis were obtained from the following sources:

1. *The 1967 Census of Governments: Compendium of Government Finances*[28] and *City Government Finances,*[29] for the numbers and types of taxes imposed upon the public and the localities' amount of outstanding debt

2. The *Daily Bond Buyer,* for the amount of money requested in the bond referendums, the month the election was held, other bond sales the voter was asked to approve, and the election outcome in 1969

3. The *County and City Data Book 1967,* for the percentage of owner-occupied homes and the percentage of the localities' land in farms.

Statistics of Local Public School Systems: 1967[30] provided the data for the variables to test the third hypothesis. These variables were pupil-teacher ratio, number of auxiliary professional school staff, number of teachers with a bachelor's or a master's degree, expenditures per pupil, and services the school district provides to pupils and their families.

The unpublished mailed questionnaire responses to the U.S. Bureau of the Census survey provided data pertaining to the variables (school enrollment, number and levels of schools within the school district, and the number of square miles the school district encompasses) to test the fourth hypothesis.

To test the four hypotheses, each variable was correlated with the outcome of the school bond referendums.

Findings and Discussion

Before attention was focused upon the selected sample, an overview of four aspects of school bond referendums during 1969 was undertaken. The Investment Bankers Association provided computer cards with the available data obtained from the *Daily Bond Buyer* (for 1969). From these data, it was possible to demonstrate:

1. Whether school bond referendums were approved more frequently in any one of the four sections of the country

2. Whether the month in which the election was held was related to voter approval

3. Whether the amount of money to be borrowed by the bond issue was related to voter approval

TABLE 2.–NUMBER OF BOND ELECTIONS AND PERCENT APPROVED AND DISAPPROVED, BY STATE AND REGION, 1969

State	Number of elections	Percent approved	Percent disapproved
1	2	3	4
NORTHEAST			
Connecticut	10	90	10
Maine	3	0	100
Massachusetts*	3	67	33
New Hampshire*	1	100	0
New Jersey	101	57	43
New York*	24	17	83
Pennsylvania	4	50	50
Rhode Island	6	83	17
Vermont	8	63	37
Total	160	54	46
NORTH CENTRAL			
Illinois	126	52	48
Iowa*	73	52	48
Kansas	1	0	100
Michigan	92	38	62
Minnesota	62	53	47
Missouri*	24	33	67
Nebraska	32	59	41
North Dakota	23	52	48
Ohio	124	33	67
South Dakota*	15	33	67
Wisconsin	36	42	58
Total	608	45	55
SOUTH			
Arkansas	55	89	11
Delaware	2	50	50
Florida	3	67	33
Georgia	8	50	50
Louisiana	4	75	25
Mississippi	8	50	50
North Carolina	6	50	50
Oklahoma*	66	77	23
South Carolina	1	100	0
Texas	130	68	31
Virginia	6	67	33
West Virginia*	2	50	50
Total	291	73	27

TABLE 2.—NUMBER OF BOND ELECTIONS AND PERCENT APPROVED AND DISAPPROVED, BY STATE AND REGION, 1969 (Continued)

State	Number of elections	Percent approved	Percent disapproved
1	2	3	4
WEST			
Alaska	3	33	67
Arizona	6	83	17
California*	126	39	61
Colorado	13	85	15
Idaho*	1	100	0
Montana	3	100	0
New Mexico	4	100	0
Oregon	18	61	39
Washington*	29	73	27
Wyoming	4	50	50
Total	207	52	48

*Required a specific percentage figure above 50 percent.

4. Whether the rate of voter rejection of school bond referendums was higher than it was for other purpose bond referendums.

Section of the country—Utilizing the U. S. Bureau of the Census classification, the country was divided into four regions: Northeast, North Central, South, and West.[31] Table 2 presents the states holding bond elections and the election outcome in 1969, by region.

The sections in descending order of number of elections held were North Central, South, West, and Northeast. The rate or approval showed no relationship with the number of elections held in each section. The order of the sections by rate of approval was South, Northeast, West, and North Central.

Within each section there were states which required a specific percentage figure above 50 percent for referendum approval. This requirement may affect the rate of approvals. In California, for example, if a simple majority had been required in the fiscal year 1968-69, 200 of 227 school bond referendum elections would have been approved, instead of the 81 that were passed.[32]

The requirement for the specific percentage figure above 50 percent may have had an affect on the outcome of the elections held during the period of this study. As can be seen in Table 2, some states having such a requirement had high rates of approval. However, within each section the lowest rate of referendum approval was found in a state falling within the higher majority category. Thus, without the requirement the outcome rates may have been different. Indeed, the outcome within the regions may have been different. For example, a changing of California's rate of approval would have dramatically affected the region's ranking in approval by section.

It is interesting to note that at the time of this writing, challenges to the constitutional provisions for the requirement of a specific percentage above 50 percent for referendum elections are pending before the Supreme Court of the United States. The arguments upon which the challenges are being made are similar to those used in the apportionment controversies; that is, it is believed that the equal value of the vote, protected by the Fourteenth Amendment is being denied. Already, the state supreme courts of California, Idaho, and West Virginia have ruled that the specific provisions in the respective constitutions are void.

Month—A review of the election outcomes by month showed no apparent pattern. As the figures in Appendix Table A, item 1, are analyzed, neither season, nor semester, nor income tax season could be seen to be relevant to election decisions.

Amount of money requested—The outcomes of the bond elections were categorized according to the amount of money requested for each bond to see if any relationship existed between the two factors. In Appendix Table A, item 2, the frequencies are seen. The highest rate of approval appeared in support of those bond proposals which were for relatively low debt burdens, that is, under $1 million. The rate of approval increased as the amount of the bond proposals increased in the categories of $1 million to $5 million and $6 million to $10 million. Deviation was seen from the latter pattern in the category of $10 million and above (which may reflect the reduced number of proposals in this category).

Purpose of bond sales—The Investment Bankers Association identified six categories of bond proposals by purpose: education, transportation, utilities and conservation, social welfare, industrial, and public services. Bonds for construction of elementary, secondary, and vocational schools, colleges and universities, and support purposes (e.g., buses, dormitories, libraries, museums) fall within the category of "education." Roads, bridges, tunnels, signs, sidewalks, harbors, rivers, ports, parking, airports, landscaping, lighting, and the like are under the heading of "transportation." Within the category of "utilities and conservation" are bond proposals for such items as water, sewers, electric power plants, gas, and flood control. Public housing, urban renewal, slum clearance, hospitals, medical facilities, homes for the blind, aged, deaf, infirm and poor persons, welfare, veterans' aid, parks, playgrounds, beaches, gardens, statues, swimming pools, golf courses, tennis courts, assembly buildings, civic centers, and recreation centers, are all categorized as "social welfare." "Public services" includes administrative and office buildings, city halls, court houses, armories, police departments, penal and correctional institutions, fire stations and equipment, and bomb shelters for civil defense.

Appendix Table A, item 3, presents the types of bond referendums held in 1969 for each purpose and the percentage approved by the voters.

Of the six categories, bond sales for education were proposed most often and approved just about least often. The only category which had more rejections (7 percentage points less) than education was social welfare. Industrial bonds fared best with the voters. If the explanation for this was that industry would repay the loan, one may ask why the bonds proposed for the transportation category did not do as well, for such items as roads, bridges, and tunnels generally are repaid from tolls, user charges, or motor fuel taxes.

Utilities and conservation bonds received a high percentage of voter approval. This may have been due to expected benefits for the entire community. However, if this were the reasoning of the voters, elementary and secondary school facilities should have received a substantially higher percentage of voter approval than colleges and universities. Yet, bonds for higher educational physical facilities received a substantially higher percentage of voter approval than did those for the grade schools.

HYPOTHESIS I: The acceptance of school bond referendums is related to the demographic characteristics of the residents of the locality in which such elections were held.

Age—Several studies have suggested that age is a factor in determining the outcome of school bond referendums.[33] It was assumed that communities having large numbers of school-age children would have voters interested in school issues. In contrast, people over the age of 65, many of whom are retired and living on fixed incomes, would seem to be most likely to oppose public expenditures which may result in increased taxes. As can be seen in Appendix Table B, item 1, the data do not confirm these assumptions. A close examination of the data showed that in the three communities where the percentage of individuals under the age of 18 was the highest (ranging from 44.2 percent to 47.9 percent), two out of three bond referendums were approved. However, the three communities with the next highest percentages of individuals under 18 (ranging from 36.6 percent to 37.3 percent) the opposite was true (two proposals were defeated to one approved.)

In the communities having the smallest percentages of people under 65, the rate of approval was high. However, one cannot state that as the percentage of older people in a community rises, so does the number of bond referendum rejections. The explanation for this deviation from the assumption may lie in the fact that many people over the age of 65 do not vote.[34] Thus, the election outcome may not reflect the opinions of older citizens.

Race—Race was selected as a variable, for it has been suggested that the larger the number of blacks within a school district, the more dissatisfaction with the schools as a result of tensions which arise between races. For example, there has been a high frequency of racial strife in the public schools of Camden, New Jersey, and three school bond referendums held in that city in 1969 failed to pass. As can be seen in Appendix Table B, item 2, if the last category were eliminated, race would be a factor in determining the rate of voter approval of bond sales. Interestingly, all four communities having the percentage of blacks over 40 percent are located in the South (two in Georgia, one in Louisiana, and one in Mississippi). Three of the four communities are rural with the school districts encompassing an average territory of 355 square miles. In such school districts, one would expect to find segregated schools, accounting for lack of concern over the proportion of black pupils. Thus, it appears valid to state that if a community has more than 30 percent of blacks within a school district, voter rejection of school bond referendums is most likely.

Socioeconomic status—Education, income, and occupation are the three variables associated with socioeconomic status, which were thought would show significant correlations with voter attitudes. People having upper socio-

economic status are expected to be those who turnout on election day and favor public expenditure.[35] The findings, shown in Appendix Table B, item 3, tend to contradict the expectation that most educated people would be the most favorable to education expenditures. The data do not indicate that bond proposals have any better chance of success in those communities with residents having a high level of education than they do in the communities where the level of education is low.

The income level of the residents of a community also does not appear to correlate with bond approval. In contradiction to all expectations, the only communities which showed a definite propensity for bond approvals were those where over 50 percent of the families earned under $3,000 per year. (See Appendix Table B, item 5.)

Urban-Rural—Political behavior studies have shown that urban voters are more liberal than rural voters, and that urban state legislators support public expenditures more frequently than rural legislators.[36] In addition, educational statistics show that two-thirds of all pupils attending public schools are enrolled in metropolitan areas.[37] Thus, it was expected that urban voters would be more favorably predisposed toward approving additional public debt than would rural voters. The findings, as shown in Appendix Table B, item 6, indicate the opposite—rural voters were more favorably predisposed toward bond proposals than were urban voters.

None of the six variables analyzed to test Hypothesis I correlated with school bond referendum outcomes. Thus, the acceptance or rejection of school bond referendums does not appear to be related to the demographic characteristics of the residents within the locality.

HYPOTHESIS II: The high rate of school bond referendum rejections can be viewed as a taxpayers' revolt.

Local taxes—The availability of the data pertaining to the types of taxes which localities impose on their residents was extremely limited. Such data were available for only 11 localities which were mostly the larger cities. The data provided information as to whether the localities had property taxes, selected sales taxes and general sales taxes. All 11 communities had a property tax, six had a general sales tax, and three had a selected sales tax. The general sales tax was thought to be the one the public would most resent, and, hence, bond proposals in these communities would most likely be rejected. As can be seen in Appendix Table B, item 7, this was not the case. The figures in Table B indicate that in the one locality where all three taxes were imposed, the bond referendum was rejected. However, in those localities where two types of taxes were imposed, the rate of approval was higher than in those where only the property tax was imposed. Thus, the number of taxes does not appear to be a valid indicator of school bond election outcomes.

Local outstanding debt—The amount of outstanding debt was also not available for each of the localities. It was expected that voters in localities where the debt was high would be more likely to disapprove bond elections than voters in communities where the debt was low because these voters would be more aware that the sale of additional bonds might result in higher taxes. A review of Appendix Table B, item 8, suggests that this expectation

was generally not supported. In one community where there was no outstanding debt, voters rejected the bond proposal, as they did in the locality where the amount of debt was under $1 million. In the communities where the level of debt exceeded $200 million voters rejected two proposals and accepted two others.

Amount of bond request—The amount of money requested on the ballot for the sale of bonds was expected to affect voter approval. The larger the amount of money requested, the more voters would be suspicious of increased taxes, and, hence, the greater likelihood that the proposals would be rejected. With the exception of the category $4,610,000-$10,000,000 the opposite was true. The larger the bond request, the higher was the percentage of approvals (Appendix Table B, item 9). This may indicate that in the school districts seeking large amounts of money, the voters were cognizant that a great deal of construction was necessary in order to fulfill their expectations of the school system and, hence, were willing to approve the loans. One may also speculate that it was felt that a larger project would best suit the needs of the children, rather than a piecemeal approach to the problems facing the school district.

Other bond referendums—In 1969, in nine communities that had held school bond referendums, the voters were also asked to approve or disapprove the sale of bonds for other purposes. Half the communities that approved school bonds approved the bonds for other purposes, and all of those that disapproved school bonds disapproved bonds for other purposes.

Percentage of homeowners—It was expected that as the percentage of homeowners in a locality increased so would the rate of the rejections. Those owning their own homes are the property taxpayers, and similarly, therefore, would resent public expenditure that may result in higher taxes. Appendix Table B, item 10, demonstrates that the findings do not support the expectations. For example, the greatest number of elections was held in the category having 71-80 percent of the homes owner-occupied. In those localities, bond proposals did exceedingly well.

Farm land—It was suggested that farmers would not be favorably disposed to the sale of school bonds. Owning large units of property subject to taxes would discourage farmers from approving bond proposals which may lead to an increase in property taxes. The figures in Appendix Table B, item 11, indicate the opposite trend. In those six localities which had over half farm land, all school bond referendums passed.

Month—The rate of rejection was compared with the month during which the election was held to see if any correlations could appear with this variable. March, April, and May were the months voters were thought to be most conscious of taxes and most likely to show their discontent with bond proposals. Appendix Table B, item 12, does not show any relationship existing between the month an election is held and the outcome. The two months when the largest number of referendums was held were March and November (each having eight) and the percentage of approvals in both months was 63.

Indeed, these findings cast doubts on the research paradigm of those who related voter rejection of referendums to alienation. For example, Horton and Thompson chose to test alienation by looking at voter turnout. They assumed

that the larger the vote turnout the more likely low socioeconomic classes (those likely to be alienated) would vote and a greater number of rejections would result.[38] There is no way of determining whether the bond elections held in the selected localities were special or were proposed on ballots at a general election. However, it is most likely that general elections held in November do as well as, if not better than, those held in other months (where the sample was of comparable size).

Of the seven variables analyzed to test Hypothesis II, only the percentage of farmland (in an unexpected direction) correlated with voter approval or rejection of school bond referendums. Thus, it does not appear that the high rate of voter rejections to such proposals can be viewed as a taxpayers' revolt. Indeed, these findings suggest that one should be cautious in assuming that voters are aware that the sale of bonds may result in a rise of taxes. It may well be that in the minds of many voters, incurring debt appears to be an alternative to increasing taxes as a means of raising needed revenue.

HYPOTHESIS III: The acceptance or rejection of school bond referendums is related to the teaching and service characteristics of the school system.

Pupil-teacher ratio—Pupil-teacher ratio was selected as a variable, for it was expected that large classes would suggest to voters the need for more classrooms. The variance in class size was not great; they ranged from 22 to 32 pupils. As can be seen in Appendix Table B, item 13, the data did not confirm the expectation. In the two communities where the pupil-teacher ratio was lowest (22-1), one proposal passed and the other failed. In the two communities having the highest ratio (29-1 in one and 32-1 in the other) the outcome was the same.

Auxiliary professional personnel—In those school systems where a high number of auxiliary professional personnel (e.g. psychologist and guidance counselors) was present, it was thought that voter approval would be high, and for those district residents provided the most would be more satisfied with the school system and, hence, more likely to favor school expenditures. However, if in the school districts which provided the smallest number of auxiliary professional personnel voter approval was high, one could assume that the voters may have expected that more money would result in better staffing. Indeed, the categories at each extreme met this assumption. Yet, the significance levels do not permit generalizations to be made. See Appendix Table B, item 14.

Teacher's degrees—The percentage of teachers within a school district who had a bachelor's or master's degree also was thought to affect voter satisfaction with the school system. As can be seen in Appendix Table B, item 15, there is no correlation between the percentage of teachers holding a bachelor's degree and voter approval. The percentage of teachers having a master's degree appears to be negatively related to voter approval of school bond sales. One could assume that voters believe that if a school system can afford to employ a staff nearly half of whom hold a master's degree, it can afford school construction. On the other hand, voters might assume that with better plant facilities, more qualified teachers might be attracted into the school system, and therefore, the bonds should be issued. However, this

necessitates assuming that residents are aware of the degrees held by the teaching staff. It may be fruitful to investigate if high levels of teachers holding a master's degree result in a higher school budget.

Expenditure per pupil—Expenditure per pupil was expected to be indicative of the financial status of the school district. As Dye has noted, districts that spend the least amount per pupil would be the poorest, and have the most need for additional revenue. Those spending the most are the richest and the least in need of money.[39] The findings in Appendix Table B, item 16, indicate that the voters in the school districts spending the least amount of money per pupil approved bond sales more frequently than did voters from school districts spending more per pupil. Again, this is suggestive that the amount of the school budget might be a variable for future exploration.

School services—The number of services a school district provides to pupils and their families was also thought to indicate voter satisfaction or dissatisfaction. In those systems where many services were provided, good will would result in favorable predispositions toward bond sale proposals.

Ten items were considered services a school system may provide: nursery and kindergarten classes, student body activities, library facilities, guidance, and psychological, audiovisual, health, transportation, and community services. As can be seen in Appendix Table B, item 17, there is no relationship between the number of services provided and the election outcome.

Of the six variables pertaining to the school system, expenditures per pupil and the percentage of teachers holding a master's degree seemed to be somewhat but not significantly related to voter approval or rejection of school bond sales. This suggests that the amount of the school budget may be an indicator of election outcome; however, the data do not confirm the hypothesis that voter approval or rejection is related to the teaching and service characteristics of the school system.

HYPOTHESIS IV: Voter approval of school bond referendums is related to institutional factors of the school system.

School enrollment—It was thought that the number of pupils enrolled within a school district may be related to voter approval or disapproval. The systems with large enrollments may be in greater need of school construction (for classrooms or auxiliary facilities) than those where the enrollment is small. The data, as can be seen in Appendix Table B, item 18, do not generally confirm the expectation. However, there is an indication that where the pupil enrollment is small, fewer voters see the need for school construction.

Private schools—Though data pertaining to the percent of children attending private schools were available for only 15 localities of the selected sample (which were medium and large cities), the relationship of this factor to election outcomes was tested. This factor was tested with the view that parents having children in private schools would disapprove the sale of bonds for public school construction. Appendix Table B, item 19, indicates that there is a negative correlation (though not significant) between the percentage of bond approvals and the percentage of children enrolled in nonpublic schools. With the exception of the first category, as the percentage of these children rose, the percentage of approvals decreased.

Number of schools—In Appendix Table B, item 20, data are presented which test the expectation that the number of schools within a school district may affect voter reaction toward school construction. In those districts having few schools, voters may see the necessity for additional schools, whereas in those districts with many schools, voters may not see the need. The findings do not show that there is any relationship between the number of schools and the election outcome.

Number of pupils per school—The number of pupils enrolled in a school district was correlated with the number of schools to derive the approximate number of pupils per school. It was thought that a more significant finding would result than when each variable was taken alone as in Appendix Table B, items 18 and 20. Perhaps the voters should see more clearly the need for more classroom space as the number of pupils per school increased. However, the findings as seen in Appendix Table B, item 21, do not indicate that this was the case.

Level of schools within district—Four school districts had only elementary schools or only high schools. It was thought that voters in these school districts might be more likely to support bond sales so that the additional funds would provide all levels of schools. If voters disapproved school bond proposals, the reason might be that they did not feel any attachment for the school district not responsible for a child's complete education. The approval rate of the school districts with only one level of school was compared with the approval rate in those school districts having both elementary and secondary schools. As can be seen in Appendix Table B, item 22, the percent of approvals was higher in those districts where both levels of schools were present. However, one must be cautious before accepting this as a valid indicator for predicting election outcomes, since the sample size of those districts having one level of schools is small and not comparable to the sample size of those districts having both levels of schools.

Territory of school district—The area encompassed by the school districts varied greatly (the smallest with one square mile and the largest with 1,559 square miles). It was thought that there might be a relationship between the territory covered by a school district and the election outcome. Voters within school districts encompassing a large territory may be favorably predisposed toward school construction in the hope of reducing travel time to and from the children's school. On the other hand, it may be that these voters from larger territorial school districts identify less with a school system which is geographically dispersed than do voters with a school system nearby all their homes. The figures in Appendix Table B, item 23, indicate that neither reason was confirmed.

Six variables were correlated with voter approval of school bond referendums. No significant relationships were found to exist for any variable. Thus, voter approval is not related to institutional factors of the school system.

Conclusions

The serious need for school construction was emphasized in a Presidential Message to Congress. President Johnson noted:

Attendance in elementary and secondary schools will increase by 4 million in the next five years. 400,000 new classrooms will be needed to meet this growth. But almost ½ million of the nation's existing classrooms are already more than 30 years old.[40]

Despite this need, so pressing as to demand the attention of the President, the electorate has shown a reluctance to support funding for school construction through the issuance of bonds. This study was undertaken in an attempt to ascertain some reasons for the high level of voter rejection of school bond referendums. A sample of localities holding school bond referendums in 1969 was selected for the purpose of this study.

Four hypotheses were tested. The first hypothesis was that the acceptance of school bond referendums is related to the demographic characteristics of the residents of the localities in which school bond referendums were held. Of the six variables analyzed to test this hypothesis, only race indicated some relationship with school bond referendum outcome. No significant relationships seemed to exist between the percentage of voter approval and any of the variables. Thus, Hypothesis I was not confirmed.

The second and fourth hypotheses, which were, respectively, that the high rate of school bond referendum rejections can be viewed as a taxpayer's revolt, and that voter approval of school bond referendums is related to institutional factors of the school system, were also generally not confirmed.

Two variables of the six selected, to test the third hypothesis (school system expenditures per pupil and the number of teachers holding a master's degree), were seen to be somewhat but not significantly related to voter approval or rejection of school bond proposals. Thus, Hypothesis III, the acceptance of school bond referendums is related to the teaching and service characteristics of the school system, was also generally not confirmed.

The findings reported here are in general agreement with the sociological studies reviewed above. Indeed, the conclusion reached by Beal, Hartman, and Logomarcino appears to be applicable to this study. As they noted:

The data offer little encouragement in predicting outcomes of school bond elections when single variables commonly suggested, are the basis for prediction.[41]

Limitations of the Study

Several limitations are inherent in a research paradigm of this type. First, a researcher must be content with the data available. For example, all population statistics were from the 1960 census. More recent figures were available for a few districts and a few of the variables. But to maintain uniformity in the comparisons, reliance had to be placed on decade-old figures. In addition, data pertaining to some variables, as noted in the findings above, were not available for some school districts. Moreover, only aggregate data pertaining to the entire locality rather than to the individual election districts were obtainable. Thus, it was not possible to correlate the variables with those voting in bond elections.

Secondly, to understand the public's reaction to bond referendums, one would necessarily have to utilize more than one research technique. For example, by interviewing those voting in school bond elections, it would be possible to detect the reasons behind an affirmative or negative decision. The

responses obtained could be correlated with such variables as utilized in this study, and, perhaps, some predictions could then be made by combining the two research methods.

Future Areas for Research

The responses obtained from the 1965 poll conducted by the American Institute of Public Opinion, as noted above, indicated that in the minds of the public, public education is and should remain the responsibility of local governments.[42] As has been demonstrated, most localities have legal requirements which include the public in educational fiscal decision making. That the public's reaction to this responsibility has been essentially negative is cause for concern. Thus, it appears that further exploration into this area deserves attention.

Several avenues for future study are suggested by the findings of other studies, as well as by the findings reported above. A 1963 study, prepared for the U. S. Office of Education, found that there was no ground swell of public interest in school bond elections. The report indicated that the average turnout rate for an 11-year period ending in 1962 was 36 percent.[43] Thus, it appears that a closer examination of the levels of turnout and the types of people who exercise their prerogative would be fruitful.

Beal, Hartman, and Logomarcino studied the campaigns surrounding various bond elections. They found no correlation to exist between the extent of campaign activity and voter approval. Indeed, when services, such as babysitting for voters and driving voters to the polls, were offered, the percentage of negative responses increased.[44] A review of the files of the League of Women Voters also indicated that a high level of campaign publicity did not assure school bond referendum success. Yet, the essays found in the education journals stress that where efforts have been made to acquaint voters with the necessity of raising revenue through the sale of bonds for school construction purposes, the referendum proposals have been successfully passed.[45] Hence, it seems that a closer examination of the groups actively supporting or opposing such measures may be worthwhile as a means of determining some of the considerations which affect the voters' decisions.

That this study did not find correlations existing between such items as the expenditures per pupil and services provided by the school system, and voter approval of school bond referendums suggests that the school budgets of the various systems may be a meaningful variable. A researcher could investigate the size of a school budget, and whether the budget has increased significantly each year. The responses of the president of the Montgomery County Allied Civic Group during an interview (March 13, 1970) indicated that the amount of money requested in the county's school budget had increased to such an extent each year that the group adopted a position of strong opposition.

Finally, it appears that any significant effort to understand voter reaction to school bond proposals must utilize the survey technique. By interviewing voters it would be possible to elicit responses as to the reasons behind the propensity for pulling the "no" lever on election day.

FOOTNOTES

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APPENDIX

State	Selected Sample Locality	Election Outcome
Arkansas	Little Rock	Approved
Connecticut	Danbury City	(1) Defeated (2) Approved
	Gulford Township	Approved
	Hartford	Approved
Florida	Charlotte County	Approved
	Hillsborough County	Approved
	Putnam County	Defeated
Georgia	Decatur County	Approved
	Oglethorpe County	Defeated
	Richmond County	Defeated
Illinois	Joliet City	Defeated
	Flora Township	Approved
	Rantoul City	Defeated
Louisiana	West Baton Rouge Parrish	Defeated
	St. Charles Parrish	Approved
	Vernon Parrish	Approved
Michigan	Bay City	Defeated
	Midland City	Defeated
	Ypsilanti City	Approved
Mississippi	Desota County	Approved
	George County	Defeated
	Stone County	Approved
Nebraska	West Point City	Defeated
	Plattsmouth City	Defeated
New Jersey	Camden	Defeated
	Jefferson Township	Approved
	Mountainside	Defeated
North Carolina	Currituck County	Defeated
	Jackson County	Approved
	Watauga County	Approved

Ohio	Bexley City	Approved
	Chippewa Township	Approved
	Troy City	Defeated
Rhode Island	Central Falls	Approved
	Coventry Town	Approved
	Woonsocket	Defeated
Texas	Eaglepass	Approved
	Laredo City	Approved
Virginia	Charlottesville	Defeated
	Powhattan County	Defeated
	Roanoke County	Approved
Wisconsin	Greendale Village	Approved
	Milwaukee	(1) Approved
		(2) Defeated
	Brown Deer	Defeated

TABLE A.—NUMBER OF BOND ELECTIONS AND PERCENT APPROVED AND DISAPPROVED, BY MONTH, AMOUNT OF MONEY REQUESTED AND PURPOSE, 1969

Item	Number of elections	Percent approved	Percent disapproved
1	2	3	4
1. MONTH			
January	68	68	32
February	112	46	54
March	167	67	33
April	103	48	52
May	169	43	57
June	105	50	50
July	42	43	57
August	21	48	52
September	72	57	43
October	116	57	43
November	173	54	46
December	118	57	43
2. AMOUNT OF MONEY REQUESTED			
Under $1 million	552	65	35
$1 million—$ 5 million	541	53	47
$6 million—$10 million	109	40	60
Over $10 million	64	50	50

TABLE A.–NUMBER OF BOND ELECTIONS AND PERCENT APPROVED AND DISAPPROVED, BY MONTH, AMOUNT OF MONEY REQUESTED AND PURPOSE, 1969 (Continued)

Item	Number of elections	Percent approved	Percent disapproved
1	2	3	4
3. PURPOSE			
Education	1,341	52.7	47.3
Elementary and secondary	1,268	52.3	47.7
Colleges and universities	18	61.1	38.9
Other	55	58.2	41.8
Transportation	110	62.7	37.3
Roads, bridges, and tunnels	76	59.7	40.3
Ports and airports	30	70.0	30.0
Other	4	75.0	25.0
Utilities and Conservation	417	86.1	13.9
Water and sewer	389	86.6	13.4
Other	27	78.6	21.4
Social Welfare	204	52.0	48.0
Public housing	6	33.3	66.7
Other	198	52.5	47.5
Industrial	61	93.4	6.6
Public Services	120	59.2	40.8

TABLE B.–NUMBER OF SCHOOL BOND ELECTIONS AND PERCENT APPROVED AND DISAPPROVED, BY CERTAIN VARIABLES, 1969

Item	Number of elections	Percent approved	Percent disapproved
1	2	3	4
1. AGE			
At median age			
20.0-29.9%	4	50	50
30.0-34.9%	7	43	57
35.0-40.9%	2	50	50
C coefficient=.071	x^2=.066	Not significant at .05 level	
Under 18 years of age			
10.0-30.9%	4	100	0
31.0-32.9%	6	50	50
33.0-35.9%	8	38	62
36.0% and over	6	50	50
C coefficient=.409	x^2-4.608	Not significant at .05 level	

TABLE B.–NUMBER OF SCHOOL BOND ELECTIONS AND PERCENT APPROVED AND DISAPPROVED, BY CERTAIN VARIABLES, 1969 (Continued)

Item	Number of elections	Percent approved	Percent disapproved
1	2	3	4
Over 65 years of age**			
4.0-6.9%	9	56	44
7.0-8.9%	7	71	29
9.0-9.9%	9	44	56
10.0-11.9%	9	33	67
12.0-14.9	3	100	0
20.0% and over	5	60	40
C coefficient=.352	$x^2$5.532	Not significant at .05 level	
2. PERCENT OF NONWHITE POPULATION**			
0-1%	14	57	43
1.1-7	11	58	45
13-27	9	78	22
30-40	6	17	83
41 and over	4	50	50
C coefficient=.376	x^2=6.276	Not significant at .05 level	
3. LEVEL OF EDUCATION COMPLETED			
Median education			
Under 7.9 years	4	50	50
8.0-8.9 years	10	60	40
9.0-9.9 years	10	50	50
10.0-11.9 years	11	55	45
12 years or more	6	50	50
C coefficient=1.71	x^2=1.177	Not significant at .05 level	
Under 5 years of school completed			
Under 7%	7	57	43
8-12.9	7	57	43
13-19.9	7	43	57
20% or more	7	57	43
C coefficient=.123	x^2=.432	Not significant at .05 level	
High school or more completed			
Under 20%	3	33	67
20.0-30.9	9	56	44
31.0-34.9	8	62	38
35.0-40.9	8	50	50
41.0-49.9	6	33	67
50.0% or more	6	50	50
C coefficient=.221	x^2=2.001	Not significant at .05 level	
4. AREA OF EMPLOYMENT			
Manufacturing			
Under 11%	5	60	40
11.0-20.9	1	64	36
21.0-30.9	9	56	44
31.0-40.9	6	33	67
41.0% and over	8	33	67
C coefficient=.249	x^2=2.437	Not significant at .05 level	

TABLE B.–NUMBER OF SCHOOL BOND ELECTIONS AND PERCENT APPROVED AND DISAPPROVED, BY CERTAIN VARIABLES, 1969 (Continued)

Item	Number of elections	Percent approved	Percent disapproved
1	2	3	4
Retail and wholesale positions			
12.0-15.9%	2	0	100
16.0-18.9%	5	40	60
19.0% and over	3	67	33
C coefficient=.426	x^2=2.222	Not significant at .05 level	
White-collar positions			
Under 20%	2	50	50
21.0-29.9	8	38	62
30.0-39.9	10	60	40
40.0-49.9	11	55	45
50.0% and over	4	50	50
C coefficient=.177	x^2=1.062	Not significant at .05 level	
5. ANNUAL FAMILY INCOME			
Median income			
Under $2,999	6	83	17
$3,000-$3,999	7	43	57
$4,000-$4,999	8	50	50
$5,000-$5,999	9	44	56
$6,000-$6,999	7	43	57
$7,000 and over	4	50	50
C coefficient=2.71	x^2=3.097	Not significant at .05 level	
Earnings under $3,000			
Under 10%	4	50	50
10.0-14.9	6	33	67
15.0-19.9	7	43	57
20.0-29.9	8	62	38
30.0-39.9	3	33	67
40.0-49.9	6	33	67
50.0% and over	6	83	17
C coefficient=.350	x^2=5.310	Not significant at .05 level	
Earnings over $10,000			
Under 5%	9	7	3
5.0-9.9	14	8	7
10.0-19.9	12	50	50
20.0-29.9	3	33	67
50.0% and over	2	50	50
C coefficient=.202	x^2=1.619	Not significant at .05 level	
6. TYPE OF COMMUNITY			
Urban	7	47	53
Rural	29	59	41
C coefficient=.113	x^2=.570	Not significant at .05 level	
7. LOCAL TAXES			
Property tax, all localities	11	55	45
Selected sales tax, all localities	2	30	0
General sales tax, all localities	6	50	50
C coefficient=.283	x^2=1.659	Not significant at .05 level	

TABLE B.—NUMBER OF SCHOOL BOND ELECTIONS AND PERCENT APPROVED AND DISAPPROVED, BY CERTAIN VARIABLES, 1969 (Continued)

Item	Number of elections	Percent approved	Percent disapproved
1	2	3	4
Property tax only	4	50	50
Two taxes	6	67	33
Three taxes	1	0	100
C coefficient=.355	x^2=1.589	Not significant at .05 level	
8. AMOUNT OF OUTSTANDING DEBT			
Under $1,000,000	2	0	100
$1,000,000-$5,000,000	7	57	43
6,000,000-10,000,000	7	71	29
11,000,000-25,000,000	3	33	69
26,000,000-100,000,000	3	67	33
Over $100,000,000	1		
C coefficient=.376	x^2=4.128	Not significant at .o5 level	
9. AMOUNT OF BOND REQUESTED**			
Under $1 million	10	40	60
$1,000,000-$2,000,000	14	57	43
2,100,000-3,500,000	7	59	41
3,600,000-4,500,000	5	60	40
4,600,000-10,000,000	7	43	57
Over $10,000,000	3	100	0
C coefficient=	x^2=	Not significant at .05 level	
10. PERCENT OF OWNER-OCCUPIED DWELLINGS			
0-35%	3	67	33
36-50	4	50	50
51-60	5	40	60
61-70	4	0	100
71-80	8	88	12
81% or more	3	33	67
C coefficient=.507	x^2=9.342	Not significant at .05 level	
11. PERCENT OF FARM LAND			
Under 30%	4	50	50
31-50	3	0	100
51-90	3	100	0
Over 90%	3	100	0
C coefficient=.630	x^2=7.866	Not significant at .05 level	
12. MONTH IN WHICH ELECTION WAS HELD			
January	1	100	0
February	1	0	100
March	8	63	37
April	3	33	67
May	7	59	43
June	4	50	50
July	2	100	0
August	4	50	50
September	4	50	50
October	3	33	67
November	8	63	37
December	1	0	100
C coefficient=.363	x^2=6.668	Not significant at .05 level	

TABLE B.–NUMBER OF SCHOOL BOND ELECTIONS AND PERCENT APPROVED AND DISAPPROVED, BY CERTAIN VARIABLES, 1969 (Continued)

Item	Number of elections	Percent approved	Percent disapproved
1	2	3	4
13. NUMBER OF PUPILS PER TEACHER			
22-24	5	40	60
25-27	5	100	0
28-32	5	60	40
C coefficient=.468	x^2=4.200	Not significant at .05 level	
14. NUMBER OF PROFESSIONAL AUXILIARY STAFF**			
10-20	5	80	20
21-30	2	0	100
31-45	4	50	50
130-189	4	75	25
C coefficient=.475	x^2=4.375	Not significant at .05 level	
15. NUMBER OF TEACHERS WITH DEGREES			
Bachelor's degree			
50-59%	4	50	50
60-69	4	50	50
70-79	5	100	0
80-85	4	50	50
C coefficient=.447	x^2=3.750	Not significant at .05 level	
Master's degree			
Under 20%	8	75	25
20-39	5	60	40
40% or more	4	50	50
C coefficient=	x^2	Not significant at .05 level	
16. EXPENDITURE PER PUPIL			
$300-$400	6	80	20
$401-$500	6	67	33
$501-$600	5	40	60
$601-$850	2	50	50
C coefficient=.327	x^2=1.920	Not significant at .05 level	
17.NUMBER OF SERVICES SCHOOL DISTRICT PROVIDES			
0-3	4	50	50
4-6	5	100	0
7-10	10	50	50
C coefficient=.501	x^2=5.036	Not significant at .05 level	
18. SCHOOL ENROLLMENT**			
Under 1,000	2	50	50
1,000-1,999	6	33	67
2,000-2,999	7	58	43
3,000-3,999	7	71	29
4,000-6,999	7	29	71
7,000-9,999	7	71	29
15,000-25,999	4	75	25
26,000-47,999	2	50	50
74,000-124,999	4	50	50
C coefficient=.321	x^2=.321	Not significant at .05 level	

TABLE B.—NUMBER OF SCHOOL BOND ELECTIONS AND PERCENT APPROVED AND DISAPPROVED, BY CERTAIN VARIABLES, 1969 (Continued)

Item	Number of elections	Percent approved	Percent disapproved
1	2	3	4
19. PERCENT OF SCHOOL POPULATION IN PRIVATE SCHOOLS			
Under 10%	2	0	100
11-19	5	60	40
20-29	2	50	50
30-39	5	40	60
42% or more	2	0	100
C coefficient=.433	x^2=3.001	Not significant at .05 level	
20. NUMBER OF SCHOOLS IN SCHOOL DISTRICT**			
Under 4	7	29	71
4-5	7	57	43
6-8	6	50	50
9-10	7	43	57
11-12	6	86	14
15-22	4	50	50
	6	67	33
Over 100	3	67	33
C coefficient=.366	x^2=6.797	Not significant at .05 level	
21. MEDIAN ENROLLMENT PER SCHOOL			
Under 350	8	37	63
450	9	67	33
550	8	63	37
650	10	50	50
750	4	75	25
Over 850	7	44	56
C coefficient=.251	x^2=2.770	Not significant at .05 level	
22. NUMBER OF SCHOOL LEVELS			
Only one level	4	25	75
Both levels	42	57	43
C coefficient=.184	x^2=1.549	Not significant at .05 level	
23. AREA OF SCHOOL DISTRICT IN SQUARE MILES**			
Under 10	7	43	57
15-36	5	60	40
42-80	4	100	0
85-105	4	25	75
115-230	3	33	67
235-304	5	60	40
425-500	6	50	50
550-900	3	67	33
Over 1,000	4	75	25
C coefficieint=.375	x^2=6.699	Not significant at .05 level	

*The number of elections does not total 46 in this and succeeding items owing to the absence of data for each locality in the sample.

**The categories are discontinuous to more clearly reflect the percentages found in the selected localities in the sample.

Reforming the State and Local Tax System

Jacob M. Jaffe

IF THE CURRENT DEBATE that rages over President Nixon's proposal for general revenue sharing is doing nothing else, it is pointing up in no uncertain terms the need for a high quality state-local tax structure. Before people like Wilbur Mills and John Byrnes—Chairman and ranking minority member of the House Committee on Ways and Means—agree to general revenue sharing, they will have to be thoroughly convinced that the states are making every effort to put their own tax houses in order. Why, they would argue, should the federal government give untied funds to the states, when many of them are unwilling to tax their own resources? They are particularly concerned that half of the states either have no personal income tax or one that is not producing what it reasonably could. Basically their thesis is that if the state and local governments want the so-called pleasure of spending public funds, they should endure the pain of raising them.

I do not intend here to get into the revenue sharing debate; I understand that debate is going on now in another room. Suffice it to say that the Advisory Commission on Intergovernmental Relations is strongly behind the idea.

But ACIR has put in no uncertain terms the proposition that the states have the obligation to develop strong revenue systems that will enable them to meet their critical domestic public needs (albeit with help from the federal government). State and local governments are now raising $90-$95 billion from generally regressive tax systems that are based primarily on property and sales. Too much of this load falls on the shoulders of those least able to pay—the aged and the otherwise poor. There is a crying need for a revamping of state and local tax structures—to make them fairer and at the same time more effective. And herein lies my tale: What are the characteristics of a high-quality state-local tax structure, and how can such a structure be achieved?

The Present Structure

Before we turn to what can be, let us look at "what is."

Most domestic public services provided in this country are the responsibility of states and localities. Those governments are now spending at the rate of some $150 billion a year. They raise about 80 percent of that sum themselves, mainly from taxation but also in not inconsiderable amounts from service charges (such as tuition fees and highway tolls) and from such miscellaneous sources as interest earnings and fines, as well as by borrowing.

But it is with the taxes that most of us are concerned, for we watch those taxes grow apace as property tax millages skyrocket, sales tax rates are hiked periodically, and new imposts are levied.

I noted that state and local governments finance about 80 percent of their expenditures from their own sources. The rest of it is primarily from the income taxes we pay annually to the federal government, about $30 billion of which now comes back in the form of conditional grants-in-aid. In other words, about half of what we pay as federal, state, and local taxpayers goes to finance the bread-and-butter services of states and localities.

It makes a big difference how our responsibility for financing domestic public services is divided among the three levels of government. The reason is that, as things stand now, there is a basic separation of tax sources, a separation that results in the federal government having a virtual monopoly over personal income taxes, most local governments relying heavily on property taxation, and the states obtaining most of their tax revenue from general sales and other consumer-type taxes. This means that the federal government has access to the most productive and most equitable revenue source. The states and localities, on the other hand, are left with second- and third-rate tax sources that respond only sluggishly to economic growth and bear most heavily on the lower-income taxpayers. Let us look at these state and local taxes more closely.

Property taxation—The property tax has long been berated as the most poorly administered and the least fair of all taxes ever devised. Yet, it is the mainstay of local financing. It is now producing some $36 billion annually, almost half of all local general revenue and seven out of eight local tax dollars. In the process of doubling its yield over the past decade, its bite has been clamping down more heavily on the individual taxpayer, for only part of the increase has resulted from inflated property values. Much of it has had to come from higher rates. On the average, the property tax now takes some 2 percent of residential market values, and in many places this effective rate is at 3 or 4 percent or more. Hardest hit are the elderly, many on small retirement incomes, trying to hold on to homes that they purchased during their income-producing years.

The property tax hits poor communities as well as poor people. Not only is it a local tax, it is a highly *localized* tax, for its base is confined to the boundaries of political jurisdictions. Thus, the central city of a metropolitan area has no way of tapping the wealth of its affluent neighbors. Property values in many of these central cities are growing slowly, if not declining, while industry, shopping centers, and new residential developments enrich their neighbors' tax bases. Meanwhile, their expenditure demands grow as they are left with more high-cost citizens to educate, to maintain on the welfare rolls, and to protect against a rising crime rate. Some have been able to levy local sales and income taxes, but their main revenue source remains an increasingly burdensome property tax.

General sales tax—The general sales tax is the largest single state tax source, accounting for almost one-third of all state tax revenue. It is a broad-based tax and fairly sensitive to economic growth. But in one respect it is too broad-based, for in most states it taxes food. Since low-income families spend

a larger proportion of their budget on food than do high-income families, the tax on food introduces a strong element of regressivity. From the tax administrator's and the retailer's viewpoint, however, it makes a lot of sense to keep exemptions to a minimum, for the fewer the exemptions the less tax leakage there is. Still, the matter of the undue burden on poor families that results from the food tax has plagued tax policy-makers and has led a number of states to seek a solution, as we shall see.

Personal income tax, the missing link—It should be clear from the foregoing discussion that a state-local tax structure cannot be balanced if it relies only on property and sales taxes. A personal income tax is the essential added ingredient to ease the regressive effects of property and sales taxes. Moreover, the income tax is far more sensitive to economic growth than are property or sales taxes and therefore can help solve the state-local fiscal crisis. Once the initial political hurdle of enacting an income tax is overcome (and admittedly it is often a tough one), future rate increases can be few and far between—economic growth takes over.

Since 1965, the ACIR has been advocating that "states without the personal income tax give early and careful consideration to incorporating it into their tax system and that those presently employing a relatively ineffective income tax strengthen it.[1] Recognizing that the federal income tax is a powerful deterrent to state adoption of a similar tax, the Commission recommended a change in the Internal Revenue Code to allow a substantial credit against the federal tax for personal income taxes paid to state and local governments. Such a provision would offer the necessary incentive for states to "pick up" part of the federal income tax for their own use. Still, even though such a credit is yet to be enacted, the states are gradually moving into the income tax field. Personal income taxes now provide one-fifth of all state tax collections.

High-Quality Tax System—Essential Characteristics[2]

It is quite conceivable that this decade of the seventies will witness the completion of the move toward the "big three"—sales, income and property taxes—in all States. But it is not enough just to have those taxes on the books. Basic, of course, are the three elementary principles applicable to any particular tax and the structure of which it is a component—optimum productivity, fairness and ease of administration.

The Commission's recently issued compendium of fiscal facts on state-local finances spells out in detail the critical tests to determine whether a state is making effective use of personal income and general sales and use taxes.[3]

State personal income tax—A state has an effective personal income tax if

—To insure *fairness*, it provides for personal exemptions at least as generous as those under the federal income tax

—To promote *taxpayer convenience* and *administrative simplicity*, it employs withholding at the source and conforms technical provisions of its law to federal provisions

—To insure *productivity*, its collections are equal either to at least 20 percent of the federal personal income tax collections in that state or to at least 2 percent of adjusted gross income as reported by state residents for federal income tax purposes.

State personal income tax rate schedules need not be graduated to meet these criteria. A broad-based flat rate tax can both pack a heavy revenue punch and provide a substantial degree of progression when combined with personal exemptions. Personal exemptions protect the very poor from the exactions of the tax collector, and they automatically adjust tax liability for size of family. The policy on graduated tax rates is best resolved by each state legislature in light of locally prevailing circumstances. It should be noted, however, that graduated rates *do* produce increased responsiveness of income tax collections to economic growth.

State sales and use tax—States can make effective and fairly equitable use of the sales tax if three prime conditions are met:

—To insure *productivity*, the tax base covers most personal services as well as retail sale of tangible items.

—To insure *fairness*, some provision is made for "pulling the regressive stinger," either an outright exemption of food and drug purchases or a system of income tax credits and cash refunds to shield subsistence income from the sales tax collector's reach.

—To promote *taxpayer convenience and administrative simplicity*, states need to credit their taxpayers for sales and use taxes paid to other states, eliminate charges for audit of multi-state firms, exchange audit and other information with one another, and permit local governments to "piggyback" their levy on the state sales tax.

Other requirements—But meeting these tenets of taxation is not enough. In the course of its studies, the Commission has developed a set of essential characteristics of a productive and equitable state tax structure that go far beyond the basic principles. They can be distilled from 11 Commission reports that deal with various aspects of intergovernmental fiscal relations.[4]

1. State use of both a personal income tax and a general retail sales levy

2. A set of state policies designed to insure a fairly high degree of property tax assessment uniformity

3. State action that can effectively shield low-income households from excessive sales and property tax burdens

4. A tough state policy to govern local use of income and sales taxes.

State Use of Personal Income and Sales Tax

There is increased support for the idea that a state must make use of both the general retail sales tax and the personal income tax. It is true that there is still some heavy political sniping going on between the champions of the personal income tax on the one hand and the champions of the sales tax on the other. Nevertheless, it is becoming increasingly apparent that the demands of taxpayer equity, revenue productivity, and the need to stay competitive

will force more and more states to hitch their revenue wagons to heavy-duty income and sales tax horses. The perennial sales versus income tax debate is becoming a luxury that few states can afford—they need both.

There are now 39 states with more or less broad-based personal income taxes and 35 of them also have general sales taxes (Table 1). Included in those figures are Pennsylvania and Rhode Island, which just adopted personal income taxes (the latter, a temporary six-month tax that expires June 30, 1971). Connecticut and Ohio are considering it seriously. Significantly, 18 states have joined the personal income tax ranks since 1960.

Tax equity issue—On the tax equity or tax distribution side there is also substantial agreement. The mobility of high-income persons and capital and growing state concern for economic development suggest that the task of income redistribution by means of steeply progressive taxes must be left to the national government with its superior jurisdictional reach.

If limited jurisdiction forecloses the adoption of highly progressive tax policies, the states' reliance on consumer taxes places severe limitations on the use of regressive tax policies. To put the issue bluntly, can a sales tax collector take more than $1 for every $20 of food purchases? Here again we see a growing body of public opinion that favors either the outright exemption of food or some system of tax credits and cash refunds to pull the regressive stinger from the retail sales tax.

By the same token, states have demonstrated that the sales tax need not be severely regressive—that either the exemption of food or appropriate tax credits can transform this tax into a proportional levy for the great majority of taxpayers. At the present time 16 states exempt food outright while six states (Colorado, Hawaii, Indiana, Massachusetts, Nebraska and Vermont) permit state income taxpayers to credit their sales tax payments against the personal income tax (Table 1).

Smoothing Out Property Tax Assessment

To smooth out the great peaks and valleys on the property tax assessment front, ACIR has offered a detailed prescription for reducing the inequities caused by faulty assessment practices.[5] Underpinning its 29 policy recommendations are the following major assumptions:

1. While a state-administered assessment system should be viewed as the instrument of choice, the prevailing joint state-local system for administering the property tax can be reasonably effective if the state tax department is given sufficient executive support, legal authority, and professional stature to insure local compliance with state law calling for uniformity of tax treatment.

2. Professionalization of the assessment function can ordinarily be achieved only if the assessor is removed from the elective process and selected on the basis of demonstrated ability to appraise property.

3. The perennial conflict between state law calling for full value assessment and the local practice of fractional assessment can be resolved most expeditiously by permitting local assessment officials to assess at any uniform percentage of current market value above a specified minimum level provided this policy is reinforced with two important safeguards:

a. A full disclosure policy, requiring the tax department to make annual assessment ratio studies and to give property owners a full report on the fractional valuation policy adopted by assessors

b. An appeal provision to specifically authorize the introduction of state assessment ratio data by the taxpayer as evidence in appeals to review agencies on the issue of whether his assessment is inequitable.

The Commission's prescription for property tax reform also calls for repeal of the personal property tax on business inventories, a levy that probably has produced as much administrative mischief as it has provided tax revenue.

Those of us who have been beating the drums for property tax reform, however, must not forget that the single most important characteristic of a well-administered property tax is the degree of assessment uniformity to be found within each taxing jurisdiction. Evidence obtained from the 1967 Census of Governments indicates that many assessors are now achieving an acceptable degree of uniformity at least for residential property (Table 2). Increased reliance on the use of computers for trending assessments may soon enable us to adopt a more stringent rule of thumb for judging the uniformity of assessments. In the past, most of us accepted the coefficient of dispersion of 20 as evidence of an acceptable administrative performance. Hopefully, we will soon be in a position to scale the standard down to 15 or perhaps even to a coefficient of dispersion of 10 for residential property.

State Financed Property Tax Relief

A state's responsibility for property tax reform would not be completely discharged even if it could wave a magic wand over all local tax rolls and produce perfect assessment uniformity at the full value level. There is a second, and most important, dimension to the property tax problem: The collection of this tax, no matter how well administered, would still create a special hardship for property owners with low incomes.

Property taxes, like all taxes, are paid largely out of income flows, not from property values. And as property tax rates have risen steadily over the past years, there has been more and more concern for the low-income homeowner, especially the elderly.

The average householder in this country, is now turning over about 4 percent of his family income to the property tax collector, but about three million families are paying out 10 percent or more of their incomes. These are the poor families with extraordinary property tax burdens, and many of them are senior citizens.

This point can be further illustrated by pointing out the hardship that the payment of residential property taxes imposes on low-income households. With retirement the flow of income drops sharply, and a $300 a year property tax bill that once could be taken in stride becomes a disproportionate claim on the income of an elderly couple living on a pension of $1,200 a year. In fact, it becomes an impossible 25 percent tax on shelter. By the same token, if the flow of income falls sharply as a result of the death or

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TABLE 1.–STATE USE OF THE PERSONAL INCOME TAX AND GENERAL RETAIL SALES TAX
(Dollar amounts in millions)

States	State personal income tax collections in 1969[a]			General retail sales tax			
	Amount	As percent of federal AGI in 1968	As percent of federal income tax in 1969	State collections in 1969[a]	Rates 1/1/71 State	Rates 1/1/71 Local[b]	Provision for food exemption or income tax credit
1	2	3	4	5	6	7	8
United States, total ...	$7,595	2.2[c]	16.1[c]	$12,501	3.6%[d]	*d*	....
Alabama	75	1.2	9.8	197	4	½–2%	...
Alaska	25	3.4	24.3	...	...	1–5	...
Arizona	53	1.3	10.6	147	3	1–2	...
Arkansas	38	1.1	9.9	104	3	...	...
California	1,087	1.7	13.0	1,684	4	1	Exemption
Colorado	103	1.9	14.6	123	3	1–3	Credit
Connecticut	...	...	...	174	5	...	Exemption
Delaware	61	3.7	23.0	...	...	...	...
Dist. of Columbia	67	3.1	19.4	58	4	...	Credit[e]
Florida	...	...	...	574	4	...	Exemption
Georgia	139	1.4	11.2	308	3	...	...
Hawaii	87	4.1	29.8	137	4	...	Credit
Idaho	38	2.6	22.6	38	3	...	Credit
Illinois	*c*	*c*	*c*	990	4	½–1	...
Indiana	181	1.3	9.6	349	2	...	Credit

Iowa	107	1.5	12.5	208	3	...	...
Kansas	72	1.3	10.2	137	3	...	...
Kentucky	108	1.7	14.0	248	5	...	...
Louisiana	45	0.6	4.7	160	3	½–3	...
Maine	*e*	*e*	*e*	70	5	...	Exemption
Maryland	313	2.4	17.0	162	4	...	Exemption
Massachusetts	453	2.6	18.0	158	3	...	Exemption; Credit
Michigan	390	1.5	10.3	795	4	...	...
Minnesota	304	3.2	25.4	174	3	...	Exemption
Mississippi	20	0.6	5.5	174	5	...	...
Missouri	118	1.0	7.3	296	3	½–1	...
Montana	31	2.2	18.8	...	...	...	...
Nebraska	37	1.1	8.6	70	2½	...	Credit
Nevada	...	...	...	44	2	1–1½	...
New Hampshire	3[e]	*e*	*e*	...	...	...	...
New Jersey	15[e]	*e*	*e*	265	5	...	Exemption
New Mexico	20	1.0	8.3	83	4	...	...
New York	2,152	3.5	23.0	699	3	1–3	Exemption
North Carolina	240	2.3	18.9	240	3	1	...
North Dakota	14	1.2	11.5	36	4	...	Exemption[f]
Ohio	...	...	...	621	4	½	Exemption
Oklahoma	48	0.9	7.1	87	2	1–2	...
Oregon	204	3.8	29.2	...	...	...	...
Pennsylvania	*e*	*e*	*e*	891	66	...	Exemption
Rhode Island	*e*	*e*	*e*	72	5	...	Exemption
South Carolina	84	1.7	14.8	138	4	...	...
South Dakota	...	...	...	55	4	...	...
Tennessee	11[e]	*e*	*e*	229	3	½–1½	...
Texas	...	...	...	441	3¼	1	Exemption
Utah	51	2.2	19.3	65	4	½	...

TABLE 1.–STATE USE OF THE PERSONAL INCOME TAX AND GENERAL RETAIL SALES TAX (Continued)
(Dollar amounts in millions)

	State personal income tax collections in 1969[a]			General retail sales tax			
					Rates 1/1/71		
States	Amount	As percent of federal AGI in 1968	As percent of federal income tax in 1969	State collections in 1969[a]	State	Local[b]	Provision for food exemption or income tax credit
1	2	3	4	5	6	7	8
Vermont	34	3.3	26.1	...	3	...	Exemption; Credit
Virginia	273	2.4	18.0	185	3	1	...
Washington	...	...	...	532	4½	½	...
West Virginia	31	0.9	6.9	157	3	...	...
Wisconsin	462	4.0	31.0	117	4	...	Exemption
Wyoming	...	...	...	29	3	...	...

SOURCE: U.S. Department of Commerce, Bureau of the Census. *State Government Finances in 1969;* Internal Revenue Service, *Statistics of Income, Individual Income Tax Returns, 1968;* and Commerce Clearing House, *State Tax Reporter.*

[a]Includes District of Columbia.

[b]Local rates are shown only for those states where such tax is used fairly extensively.

[c]Weighted mean of the 35 states and the District of Columbia imposing a broad-based personal income tax for the entire fiscal year. Maine and Illinois became personal income tax states during 1969, and Pennsylvania and Rhode Island enacted personal income taxes in March 1971. New Hampshire and Tennessee tax interest and dividends only; New Jersey taxes only commuters.

[d]Median state rate (does not include local sales tax rates).

[e]Food taxed at 2 percent (1/2 the regular rate).

[f]Exemption limited to milk and milk products, and fresh and cured meats, including poultry and fish and other fresh and saltwater animal products.

physical disability of the breadwinner, or because he loses his job, again payment of the residential property tax can become an extraordinary tax burden.

Federal income tax relief passes over the very poor, for they pay little or no federal tax. Yet, we estimate that local property tax collectors are taking some $3 billion from families with annual incomes below $5,000.

Thus, thousands of home-owners, mostly elderly, are forced each year to liquidate part of their assets or endure privation in order to pay the local tax on shelter. It is a bitter commentary on our youth-oriented society when many elderly persons are forced through the property tax wringer in order to finance the education of the young.

The "Circuit-Breaker"—ACIR has called upon the states to help local governments finance the cost of relieving undue property tax burdens on low-income families. The Commission has suggested two *indirect* ways through general property tax relief, which, of course, would reduce the tax load on all property owners:

—By having the states assume substantially the full cost of elementary and secondary education

—By having the federal government assume the full cost of public welfare and medicaid.[6]

But there is a direct way of rifling property tax relief to poor householders. This method, pioneered by Wisconsin in 1963, has come to be known as the "circuit-breaker" approach for protecting low-income property owners from property tax overloads.

The Wisconsin plan, which is financed through the state income tax, provides tax relief to all low-income elderly homeowners and renters on that part of their property tax load that is deemed to be excessive in relation to total household income. For this purpose, household income includes not only that which is subject to the state personal income tax, but also such sacrosanct nontaxable items as social security, veterans, and railroad retirement benefits. The tax relief takes the form of a credit against the taxpayer's state income tax liability or a cash rebate where this credit exceeds the tax liability.

The eligible elderly home-owner in Wisconsin does not have to pay his local property tax bill first and then wait until the next year to file a state income tax return together with a claim for rebate. Here the elderly homeowner can file for the state tax rebate as soon as the tax bill arrives, thereby permitting state aid to be extended in time to protect him from excessive residential property tax burden.

To date, four states have followed Wisconsin in adopting the circuit-breaker approach to property tax relief—Minnesota, California, Vermont and Kansas. The details of all five plans are shown in Table 3.

Adoption of the "circuit-breaker" can convert the highly regressive property tax to one that is at least proportional. Table 4, which draws on the 1968 experience of Wisconsin and Minnesota, shows this. The extent of relief can, of course, be controlled by the legislation, depending on the amount of state funds that can be made available, the current property tax burden in the

state, and the extent of relief that is desired. In Wisconsin, for example, the residential property tax burden must exceed 11 percent of household income before state-financed property tax relief becomes available. The Minnesota system short-circuits the residential property tax process when the burden exceeds 6 percent of household income. But Wisconsin started with much higher tax burdens than Minnesota, and even with the higher cutoff it extended relief to those who needed it most—the over 7,000 elderly householders with incomes of less than $1,000 who had paid out in residential taxes an average of 30 percent of their subsistence income. The Wisconsin program aided 66,000 beneficiaries in 1968 at a cost of about $6 million, less than 1 percent of the total property tax take in the state.

The "ideal" state property tax relief plan—Based on recent state experience it is now possible to set forth the characteristics of an "ideal" state property tax relief plan:

1. *Broad beneficiary coverage.* To insure equitable treatment for all residential property taxpayers, the tax relief plan should come to the aid of all overburdened property taxpayers, those under 65 as well as those over 65 and the renters as well as the homeowners.

2. *Adequate safeguards against abuse.* To insure that the aid goes only to the truly needy, all types of cash income should be included in the compilation of total household income and a dollar limit, say $400 or $500, should probably be set on the amount of relief granted to any taxpayer.

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TABLE 2.—TWO MEASURES OF INTRA-AREA ASSESSMENT UNIFORMITY
(Coefficient of dispersion of assessment ratios for nonfarm houses, by state, 1966)

State	Median measure of dispersion[a]	Adjusted measure of dispersion	
		Weighted mean[b]	Extent of coverage[c]
1	2	3	4
United States	19.2	18.8	76%
Alabama	27.4	17.2	79
Alaska	17.3	14.6	56
Arizona	26.0	19.0	88
Arkansas	19.8	18.8	44
California	15.1	15.5	100
Colorado	19.0	14.9	86
Connecticut	12.3	12.6	28
Delaware	19.8	15.6	100
Florida	14.2	13.9	89
Georgia	16.9	15.0	71
Hawaii	25.7	17.3	93
Idaho	25.7	26.1	28
Illinois	20.3	18.5	89
Indiana	22.7	19.4	69

TABLE 2.–TWO MEASURES OF INTRA-AREA ASSESSMENT UNIFORMITY (Continued)

(Coefficient of dispersion of assessment ratios for nonform houses, by state, 1966)

State	Median measure of dispersion[a]	Adjusted measure of dispersion	
		Weighted mean[b]	Extent of coverage[c]
1	2	3	4
Iowa	18.9	14.2	49
Kansas	28.5	19.3	52
Kentucky	15.8	14.3	60
Louisiana	22.5	22.0	74
Maine	15.6	11.2	5
Maryland	16.9	14.8	86
Massachusetts	14.6	18.6	24
Michigan	20.7	15.1	30
Minnesota	22.8	22.0	83
Mississippi	27.8	24.7	50
Missouri	25.3	18.9	86
Montana	22.5	15.9	39
Nebraska	23.7	17.3	94
Nevada	19.4	12.9	91
New Hampshire	14.8	14.8	10
New Jersey	18.1	16.1	99
New Mexico	22.7	20.4	83
New York	34.3	31.5	99
North Carolina	18.2	14.8	68
North Dakota	26.8	16.4	18
Ohio	16.2	15.7	92
Oklahoma	23.2	18.1	61
Oregon	18.9	17.8	77
Pennsylvania	25.5	22.7	98
Rhode Island	14.2	13.5	36
South Carolina	33.7	31.0	75
South Dakota	22.0	20.0	36
Tennessee	19.5	17.9	73
Texas	29.0	27.0	86
Utah	21.0	18.8	87
Vermont	18.8	NA	...
Virginia	15.8	10.5	65
Washington	21.7	20.5	85
West Virginia	22.9	17.8	62
Wisconsin	16.2	13.7	32
Wyoming	23.0	17.6	18

NOTE: The general rule of thumb holds that an intra-area coefficient of dispersion of less than 20 indicates a tolerable degree of nonuniformity.

[a]This measure of uniformity appears in Vol. 2 of the 1967 Census of Governments, *Taxable Property Values*, Table 16.

[b]The adjusted measures of dispersion are derived by averaging the individual coefficients of dispersion on the basis of the estimated market value of nonfarm houses in each jurisdiction.

[c]Percentage of market value of all nonfarm houses accounted for by included jurisdictions.

TABLE 3.—STATE-FINANCED AND ADMINISTERED RESIDENTIAL PROPERTY TAX RELIEF FOR PROTECTING LOW-INCOME HOUSEHOLDS FROM PROPERTY TAX OVERLOADS
(The "circuit-breaker")

State	Beneficiaries	Income ceiling	Tax relief formula	Form of abatement and estimated per-capita cost	Date of adoption	Statutory citation
1	2	3	4	5	6	7
California	Homeowners age 65 and older; no relief for renters	$3,350	Relief ranges from 95% of tax payment if household income is less than $1,000 to 1% of tax payment if household income is $3,350	State rebate only Cost: $0.40 (1969)	1967	Revenue and taxation code Div. E., sec. 19501 et seq.
Kansas	Homeowners age 65 and older; no relief for renters	3,700	Same as Wisconsin tax relief formula	State income tax credit or rebate	1970	H.B. 1253
Minnesota	Homeowners and renters age 65 and older	3,500	Relief ranges from 75% of tax payment if household income is under $500 to 10% if family income is between $3,000 and $3,499	State income tax credit or rebate Cost: $0.50 (1968) (This aid is in addition to a general state-financed property tax relief that approximates 35% of the homeowner's tax bill)	1967	Chap. 290, sec. 290.0601 et seq.
Vermont	Homeowners and renters age 65 and older	Not explicit	Relief limited to that part of tax payment in excess of	State income tax credit or rebate Cost: $1.25 (1969)	1969	H.B. 222

			7% of household income times a local rate factor that varies by tax rate of local community[a]			
Wisconsin	Homeowners and renters 65 and older	3,700	*b*	State income tax credit or rebate Cost: $1.50 (1968)	1963	Chap. 71, sec. 71.09(7)

[a]The Commissioner shall annually prepare and make available the local rate factors by arraying all municipalities according to their effective tax rate and dividing the population of the state into quintiles from such array with those having the lowest effective tax rates being in the first quintile. The local rate factors shall be as follows: first quintile, 0.6; second quintile, 0.8; third quintile, 1.0; fourth quintile, 1.2; fifth quintile, 1.4. The amount of property taxes or rent constituting property taxes used in computing the credit is limited to $300 per taxable year.

[b]Household income, $1,000 or less—relief ranges from 75% of amount by which property tax exceeds 3% of household income between $500 and $1,000; household income, over $1,000—60% of amount by which property tax exceeds 3% of household income between $500 and $1,000, 6% of income between $1,000 and $1,500, 9% of income between $1,500 and $2,000, 12% of income between $2,000 and $2,500, and 15% of all household income over $2,500. The maximum property tax to be used for this credit is limited to $330.

TABLE 4.–THE "CIRCUITBREAKER" SYSTEM FOR PROTECTING LOW-INCOME HOUSEHOLDS FROM PROPERTY TAX OVERLOAD SITUATIONS: HOW IT WORKED IN WISCONSIN AND MINNESOTA IN 1968

Household income group	Number of claims	Average household income	Average property tax[a] Before credit	Average property tax[a] After credit	Percent of tax burden relieved	Ratio of property[a] to household income Before credit	Ratio of property[a] to household income After credit
1	2	3	4	5	6	7	8
WISCONSIN							
$0	102	$ 0	$333	$151	55	...	...
1– 499	539	381	254	98	61	66	26
500– 999	6,508	801	211	78	63	26	10
1,000–1,499	14,903	1,269	249	140	44	20	11
1,500–1,999	16,809	1,750	288	188	35	16	11
2,000–2,499	14,287	2,236	323	241	25	14	11
2,500–2,999	9,857	2,734	363	307	15	13	11
3,000–3,500	5,576	3,207	415	392	5	13	12
MINNESOTA							
Less than $250	192	–495	164	51	69	...	...
$ 250– 499	198	434	145	38	74	33.4	8.8
500– 749	994	652	128	39	70	19.6	6.0
750– 999	2,108	891	136	42	69	15.3	4.7
1,000–1,249	2,779	1,132	143	72	50	12.6	6.4
1,250–1,499	3,666	1,380	151	76	50	10.9	5.5

1,500–1,749	3,453	1,624	160	95	41	9.9	5.8
1,750–1,999	3,828	1,880	167	100	40	8.9	5.3
2,000–2,249	3,115	2,122	179	125	30	8.4	5.9
2,250–2,499	2,879	2,375	182	127	30	7.7	5.3
2,500–2,749	2,403	2,717	190	151	21	7.0	5.6
2,750–2,999	2,189	2,875	194	155	20	6.7	5.4
3,000–3,249	1,488	3,124	200	179	10	6.4	5.7
3,250–3,499	1,270	3,368	215	193	6	6.4	5.7

SOURCES: Wisconsin Department of Revenue, Research Division, July 28, 1970. Minnesota Department of Taxation, *Property Tax Relief for Minnesota's Senior Citizens.* Special Report. August 1970.

[a]Includes property tax portion of rent payments.

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3. *An efficient tax relief formula.* It is necessary to shield both the low-income householders and low-income renters from extraordinary property tax burdens while minimizing the drawdown on scarce state resources.

Local Income and Sales Taxes

The counsel of perfection might well direct state legislatures to deny local governments the right to impose a tax on income or sales. In order to reserve these prime revenue sources for the states, however, their legislatures must be prepared to either pick up virtually all of the local school tab or embark on a major revenue sharing adventure with local governments. One thing is clear. The local property tax can no longer serve as the primary revenue source for schools *and* the cities and counties.

Something has to give; in the judgment of the Commission, it should be the school financing responsibility. For this reason, the Commission has recently recommended that the states assume primary responsibility for financing public education, thereby freeing the property tax for those governmental activities that are essentially local in character—the municipal-type functions such as police and fire protection, local parks and recreation, and general government.

If a state is not willing to embark on this course of action, or to launch an unconditional revenue sharing program with its local governments, it has no alternative but to allow local policymakers the right to tap either the sales tax or the income tax or both. If a state decides to follow the local nonproperty tax approach, it would be well advised to:

—Limit local nonproperty taxing powers to as large taxing areas as possible, ideally coinciding with the boundaries of trading and economic areas

—Prescribe rules governing taxpayers, tax base, and tax rates, etc., uniformly applicable to all local taxing jurisdictions

—Provide technical assistance in administering and enforcing nonproperty taxes.

Our prescription that states collect local taxes appears to be quite popular. As of January 1, 1971, 21 states authorized "piggyback" sales taxes and two had "piggyback" local income taxes.

In Conclusion

Those of you who are directly involved in financing school systems need no reminder of the critical fiscal problems facing states and localities throughout the country. We have the prescriptions for putting together a high-quality state-local tax structure that could help alleviate the situation. Significantly, every one of the components I have discussed today has been tested in the public finance market place. It takes only political guts and taxpayer education to put our prescription to effective use.

FOOTNOTES

[1] Advisory Commission on Intergovernmental Relations. *Federal-State Coordination of Personal Income Taxes.* A-27. Washington, D.C.: Government Printing Office, October 1965, p. 13-14.

[2]The remainder of this discussion draws liberally from a paper delivered by John Shannon, Assistant Director of ACIR, to a Tax Institute of America Symposium on November 5, 1970.

[3]ACIR, *State-Local Finances and Suggested Legislation*. 1971 edition of M-57. Washington, D.C.: Government Printing Office, December 1970. p. 1-2.

[4]See Appendix for a detailed analysis of these Commission reports.

[5]Advisory Commission on Intergovernmental Relations. *The Role of the States in Strengthening the Property Tax*. A-17. Washington, D.C.: Government Printing Office, June 1963. 187 p.

[6]Advisory Commission on Intergovernmental Relations. *State Aid to Local Government*. A-34. Washington, D.C.: Government Printing Office, April 1969. p. vi.

FOR APPENDIX, SEE PAGE 162.

APPENDIX

MAJOR ACIR STUDIES AIMED AT IMPROVING THE PRODUCTIVITY AND EQUITY OF STATE AND LOCAL TAX STRUCTURES

Time of study	Primary objective	Number of specific recommendations	ACIR suggested legislation[a]
Coordination of State and Federal Inheritance, Estate and Gift Taxes (A-1, January 1961)	Increase state death tax revenue by increasing the federal credit for those states shifting to an estate tax basis	2	Federal: Intergovernmental Revenue Act of 1969 (91st Cong., S.2483, Title IV)
State and Local Taxation of Privately Owned Property Located in Federal Areas (A-6, June 1961)	Permit states and localities to tax private property located on federal property	2	Federal: Intergovernmental Revenue Act of 1969 (91st Cong., S.2483, Title V)
State Constitutional and Statutory Restrictions on Local Taxing Powers (A-14, October 1962)[b]	a. *Property taxes*—liberalize the property taxing powers of local governments by lifting rate limitations or by making them less restrictive	8 (guidelines)	a. State Constitutional and Statutory Restrictions on Local Taxing and Borrowing Powers (33-21-00)
	b. *Nonproperty taxes*—limit the use of local nonproperty taxes to large urban areas and, if used, to sales and income taxes, preferably in the form of state piggyback taxes[b]		b. Collection of Local Nonproperty Taxes by the State (33-22-00); State Support of Local Tax Enforcement (33-23-00)
The Role of the States in Strengthening the Property Tax (A-17, June 1963)	Make the property tax more productive by reducing the inequities caused by faulty assessment practices through stronger state supervision and assistance,	29	Property Tax Organization and Administration (15-62-412); Property Tax Assessment Standards and Equalization (15-62-413); Property

	professionalization, a full disclosure policy, and improved appeal procedures		Tax Review and Appeal Procedure (15-62-414)
The Intergovernmental Aspects of Documentary Taxes (A-23, September 1964)	Urge federal government to relinquish documentary taxes—in particular, real estate transfer taxes—for state and local use as a revenue source and as a tool for strengthening property tax assessment	2	Real Estate Transfer Tax (15-62-42)
State-Federal Overlapping in Cigarette Taxation (A-24, September 1964)	Improve state cigarette tax administration by collecting at the manufacturing level, preferably through the federal collection machinery	2	None—requires initial state-federal discussion and agreement
Federal-State Coordination of Personal Income Taxes (A-27, October 1965)	More effective use of state personal income taxes and federal income tax credit to encourage state adoption or strengthening of such taxes; authority for federal collection of state personal income taxes; local income taxes should be supplements to state tax (piggyback)	7	Uniform Income Tax Statute (15-62-21); Federal: Intergovernmental Revenue Act of 1969 (91st Cong., S.2483, Titles II and III)
State-Local Taxation and Industrial Location (A-30, April 1967)	More effective and more equitable state business tax policies by establishment of uniform enforceable physical presence rules relating to income and sales taxes, elimination of tax on business inventories and avoiding special concessions to selected groups of business firms	4	Repeal of Tax on Business Inventories and Reimbursement to Local Government (15-62-49)

Time of study	Primary objective	Number of specific recommendations	ACIR suggested legislation[a]
Fiscal Balance in the American Federal System (A-31, October 1967)	Achievement of a balanced, equitable and productive state-local tax system by effective use of broad-based state income and sales taxes and well-administered local property taxes without unduly burdening low-income families	3	Uniform Income Tax Statute (15-62-21); State Board Based Sales Tax (15-62-30); Property Tax Relief for Low-Income Families (15-62-48)
State Aid to Local Government (A-34, April 1969)	Relieve local property tax burdens that stem from the local share of elementary and secondary education and public assistance programs through state assumption of responsibility for financing education and federal assumption of responsibility for financing public assistance (including medicaid)	3	State Financing of Public School (16-12-00); Federal legislation required for public assistance

NOTE: Single copies of publications may be obtained without charge from the Advisory Commission on Intergovernmental Relations, Washington, D.C. 20575.

[a]Code reference is to ACIR State Legislative Program (M-48, 1970 Cumulative, August 1969, and Annual Supplements).

[b]See also: *Local Nonproperty Taxes and the Coordinating Role of the States* (A-9, September 1961).

State-Wide Planning for Education in Utah

Jay J. Campbell

TODAY, MARCH 30, 1971, we are living in quite a world. Fantastic almost beyond imagination! If we were suddenly transported through time to a supermarket in the 1980's, most of the products would be strange to us and probably the means of stocking and checking out would be strange to us. Thus, the computer is destined to have more impact and bring about more changes in our lives than the automobile did.

But that is only the beginning. We shall be able to travel from coast to coast in two hours in a superjet carrying 700 passengers! We shall be able to circle the globe in a day, stopping off to do some business in Hong Kong en route. Medical science will be able to relieve most of our pain, cure our incurable diseases, and prolong useful, productive life to 100 years or more. In short, the future looks wonderful, challenging, exciting. All of us have much to look forward to. But today we have some problems—messy, sticky problems we cannot sweep under the rug. We have long, hot summers with the shameful spectacle of Americans killing Americans in our big-city ghettos. Streets and parks are unsafe after dark.

We have a frightening rise in crime and a diminishing rate of solution. How many more years can we have a 10 percent increase per year in reported crimes and still remain a free nation? And in spite of all of our efforts, American youth are still fighting and dying in faraway places; well, not so far away, a day's flight from our shores.

And that is not all. What about our school dropouts, or "pushouts" as some people call them? And what about the "exceptional children"—those with mental handicaps, physical handicaps, the lame, the deaf, the blind? We are adding nearly a million a year to this group. And, of course, the problems of want and privation in the ghettos, the problems of third and fourth generations of welfare recipients—poverty spawning poverty.

We are all concerned about *education* because it seems to provide the only real solution to some of these problems. Of all man's activities, education must be the most sensitive to change because in education we deal with 20, 40, and 50 years from now. This gives you a bird's eye view of why Utah had a project called "Designing Education for the Future."

Origin of the Project

The project in the eight-state area—Utah was one of eight Rocky Mountain States that participated in this project funded under Title V, Section 505, of the Elementary and Secondary Education Act of 1965. The major

purpose of the project was: "To assist each of the participating states to anticipate the changes that are likely to take place in this country, in the eight-state area, and within the state during the next ten to fifteen years, and to plan and implement changes and improvements that should be made in the educational organization and program during that period."

The project in Utah—The people of Utah have an outstanding history of support for education. Active citizen involvement in planning goes back to the Utah Public School Survey Commission (60-man survey) in 1951-53. One of the chief values of this type of citizen involvement has been the continuous evaluation and improvement of education in Utah.

The major purpose of Designing Education for the Future in the eight-state area was broadened in Utah to include the following: (a) to develop a realistic design with long-range plans for improving all aspects of education, (b) to focus attention on the need for comprehensive planning in public education, (c) to focus attention on the ways and means to strengthen the organization and capability for providing educational leadership in planning within the state education agency, (d) to build on the coordinated efforts and accomplishments of surrounding states in order to give impetus to improving education, (e) to involve meaningfully lay citizens and educators in planning public education for the future, and (f) to inform educators and lay citizens about the needed changes in education.

State coordinator—In August 1966, I was employed as the state coordinator and appointed deputy superintendent.

The state advisory committee—A state advisory committee was also appointed at the inception. The 24 leading citizens on the committee represented education, business, labor, industry, government, and the professions. Their selection began when officers of 20 civic and educational agencies throughout the state were asked to nominate two persons for possible membership on the committee. A panel of educators screened the nominees, and those selected were asked to respond to an invitation from the state superintendent of public instruction to serve on the committee.

Study committees—The state advisory committee appointed nine study committees to collect information and make long-range proposals for the improvement of education in Utah. The first six committees were named in January 1967 to serve in the area of the Educational Program. They were: (a) Educational Needs of Children and Youth—Purposes, Goals and Organization of Education; (b) Curriculum and Instruction; (c) Preparation of Teachers and Other Professional Personnel; (d) Supportive Services Essential for an Adequate Program of Education; (e) Evaluation of the Educational Program of Instructional Effectiveness; and (f) Continuing Education. Three additional study committees were appointed in September 1967. They were: (a) Local Schools and School Systems, (b) State Educational Organization Operation, and (c) The Economics and Financing of Education.

Each study committee was made up of people recommended by the state advisory committee members, local school superintendents, staff of the Utah Board of Education, and deans of colleges of education throughout the state and had at least one representative from the Utah State Education Agency, one from a college or university, one from public education, and several lay

persons. Some committees also had representation from various student groups in the state.

The representative from the Utah State Education Agency was asked to serve as executive secretary in each of the committees with one of the other committee members to serve as chairman. In most cases, the executive secretary did most of the drafting of the material, and the committees reacted to these drafts and refined them.

Steering committee—A steering committee was organized to serve as a liaison group for all committee activities. This committee included the chairman and the executive secretary of all working committees. Thus, each committee was kept abreast of the activities of other groups and of guidelines for investigations. The steering committee's responsibility was to see that the working committees were informed and encouraged in their endeavors.

Out-of-state consultants—An out-of-state consultant was selected to be an objective and experienced observer of the work procedures and to assist the committees in the work they were doing. In that capacity, John Marvel, President of Adams State College, Alamosa, Colorado, gave assistance to the project as it progressed.

Procedures and Activities

The general design for Utah's procedures and activities in the project, Designing Education for the Future, emanated from policies and recommendations of the policy board and the state advisory committee. Plans and details for the later phases of the project in Utah could not be developed realistically until earlier progress had been made in the eight-state area and the strengths and weaknesses evaluated.

Publications, conferences and other activities—As the project developed, it was apparent that various studies had to be made and information gathered not only to determine the status of education in Utah, but also to provide an information base from which deliberations could ensue. Input was provided through the area aspects of the project as well as the procedures and activities that were planned in Utah. Whereas certain area activities served to set the stage for progress in the state, state-related outcomes from the project were initiated in and oriented to Utah.

Historical perspective—To provide the citizens, educators, and the state advisory committee members with an understanding of education in Utah, the publication, *Historical Perspective on Major Educational Changes in Utah, 1847-1966*, was written and made available. Three major events should be noted: (a) In 1915, mandatory school district consolidation gave Utah 40 school districts; thus, Utah became a leader in consolidation in the United States. (b) In 1947, the Uniform School Fund Program was initiated; it guaranteed a minimum level of state financial support for each child whether his district was rich or poor. (3) In 1951, the State Superintendent of Public Instruction became an appointed rather than an elected officer.

Opinionnaire—A questionnaire was mailed to a random sampling of citizens in Utah to obtain their attitudes toward the public schools and the need for changes. The findings were published in the monograph entitled *Opinionnaire of Strengths, Weaknesses and Needed Changes in Elementary*

and Secondary Education in Utah. The greatest strengths in the program of education were considered to be well-trained, dedicated teachers and a sound and varied curriculum whereas the most serious problems or weaknesses were reported as inadequately trained teachers, overcrowded classes, and lack of individualized instruction. These findings indicated a need for changes and improvements in the program of education, in the curriculum, in the teacher selection and preparation program, in the development of an incentive salary program for teachers, and in more extensive vocational offerings.

Utah education–1980–With the cooperation of the coordinator from Colorado, the State Coordinator prepared a monograph describing what education might be like in Utah in 1980. The information and ideas were developed from the materials and thinking that had come from the publications of the eight-state project. The purpose of the monograph was to stimulate thinking about the future and to describe some alternatives for education in the years ahead.

Area conferences–It was apparent that a substantial number of people in Utah would need to understand the importance of planning for the future and to become informed about the major educational problems and issues. Area conferences sponsored by the project proved to be extremely valuable in meeting these needs and, in addition, gave many people in Utah an opportunity to work effectively and constructively with their counterparts from surrounding states. Each area conference was well attended by both lay people and educators. Approximately 300 persons attended two area conferences held in Salt Lake City. Utah was also well represented in the conferences held out of state. For example, over a hundred persons traveled to Arizona to attend a conference on "Planning and Effecting Needed Changes in Education." Many people also attended area conferences in the other states. Most Utah participants attended at their own expense or at the expense of the organization or agency with which they were affiliated.

Area publication–Utah received from 600 to 850 copies of each of the seven area conference-related publications developed by the DEF project. These were distributed to all professional staff members in the state education agency, school district personnel, educators in institutions of higher learning, leading lay citizens, college and university libraries, and public libraries. In addition, a small supply was retained by the state coordinator who distributed them to interested citizens as requests came to his office. These area conference publications were in great demand and were widely read and discussed. The study of these publications helped considerably to increase understanding of the developments and issues in education and to recognize the need for planning and change. Some colleges and universities have used these reports as textbooks in their education courses.

Sound filmstrips–As one means of orienting citizens to the purposes, procedures, and desired outcomes of the DEF project, a series of five sound filmstrips, developed by the area project staff, were widely used by Utah's staff and committee members who were invited to speak to clubs, school district institutes, college classes, and other interested agencies and organizations. These sound filmstrips were also used to orient participants in two series of eight regional conferences in Utah. These color filmstrips were sum-

maries of the publications of the Designing Education for the Future project and were entitled: (a) *Design of the Project,* (b) *The Education Program,* (c) *Close to the People,* (d) *Emerging State Responsibilities,* and (e) *Investing in the Nation's Future.*

The state advisory committee—The state advisory committee met monthly, served as a policy-making body, and guided the project's activities in Utah. The state coordinator served as executive secretary. As study committee reports were completed, the advisory committee reviewed them and made recommendations. Members of the committee helped to plan and conduct the state regional conferences. The final reports of the study committees were evaluated very carefully and in many cases changed considerably before they were approved by the state advisory committee and combined into one final publication under the authorship of the state advisory committee. This final report was submitted to the Utah State Board of Education and approved on May 8, 1970. It has been printed and distributed to all the school districts, institutions of higher learning, and leading lay citizens. The Utah State Board of Education has indicated that this report will be used as a master plan for education, and all proposed changes in the education programs will be reviewed in light of it.

Members of the state advisory committee believed that two areas were not adequately covered by the nine original study committees: the future of instructional technology in Utah's public schools and education management. Two papers, one in each area, were prepared for possible inclusion in the final report.

Study committees—Each study committee, with the assistance of the state coordinator and the out-of-state consultant, prepared long-range recommendations and proposed implementation priorities for designated aspects of education. These committees submitted their tentative findings and reports to the state advisory committee and to selected citizens invited to Utah's regional conferences. Suggestions for revision and coordination were incorporated before the final Utah reports were prepared and submitted to the state advisory committee. These individual committee reports were duplicated and made available through the state coordinator to members of all committees and to interested groups upon request.

State regional conferences—Eight regional conferences were held in Utah in December 1968 to consider the findings of the six committees working on the education program. Four thousand community leaders, including lay citizens and educators, were invited to these day-long meetings jointly sponsored by the project and Utah's Governor Calvin L. Rampton. Each local school board was asked to prepare the list of these community leaders to be invited. All of those invited received a booklet summarizing the findings of the six committees.

Planning and holding these state regional conferences was a major undertaking involving 140 persons in the presentations of the materials. Staff members of the state education agency with the assistance of the state advisory committee provided most of the help in conducting the conferences. Discussion group recorders were furnished by the local school districts. About 1,000 lay citizens and educators participated. This large-scale involvement in the

planning process was believed necessary to properly design education for the future. Those attending made valuable contributions to the committees' recommendations.

Eight more state regional conferences were held in December 1969 to consider the findings in the five remaining reports. Again 4,000 community leaders were invited to attend. This time the meetings were held in the evening with the hope that a larger percentage of those invited would participate. Approximately 2,000 of those invited attended.

State regional youth conferences—While these state regional conferences were being held, each of the 93 high schools in Utah, both public and private, was invited to send 15 students to participate in one of eight youth conferences. Participants were to be representative of all segments of the student body so that many points of view could be expressed. The approximately 1,400 students who participated were asked to react to the reports of the Educational Program, giving particular emphasis to the tasks or objectives of education and the curriculum for the schools of the future. Students also commented upon the preparation of teachers and the need for increased and improved guidance services.

Reports—The reports of the nine Utah study committees and a summary report on the education program and a summary report on economics and finance and organization, have been widely distributed throughout the state. The two summary reports were sent to each Utah citizen who was invited to participate in the state regional conferences and each was used as the "working paper" for each citizen's reactions.

With the inputs from the state regional conferences, a final report was prepared by the state advisory committee and submitted to the Utah State Board of Education. This Master Plan for Public Education in Utah includes recommendations, proposed legislation, proposed tax sources, time tables, and priorities for changes in public education in Utah by 1980.

Impact of the Project Within the State Education Agency

Utah became involved in the eight-state project Designing Education for the Future chiefly because of the deep interest of T. H. Bell, then State Superintendent of Public Instruction, in exploring every possibility for improving education in the state's public elementary and secondary schools. As evidence of his commitment to the project and his desire to provide dynamic leadership, he not only served as a member of the policy board, but also appointed a deputy superintendent as Utah's State Coordinator.

Since it is generally agreed that the impact of any program is very closely related to the extent of involvement in the project, an extensive effort was applied to bring about a high degree of involvement of state education agency personnel in the project.

State board of education—The Utah State Board of Education was actively involved throughout the project. The official decision that Utah would participate in the eight-state project was made by the state board of education and the then vice-chairman of the Utah Board of Education who was appointed the Board's official representative on the State Advisory Committee. She attended not only all meetings of this committee, but also all

state and area conferences. She gave progress reports at each meeting of the Board and transmitted to the state advisory committee any recommendations or suggestions the Board made.

During the final year of the project a member of the state advisory committee was appointed to fill an unexpired term on the Utah State Board of Education. His dual membership thus gave the Board further knowledge of the project activities. Two members of the state Board also have served as chairmen of study committees and as members of the Steering Committee for Local School Organization, State School Organization, and Economics and Finance.

A number of the Board members attended the 1968-69 and the 1969-70 regional conferences, and were thus able to sense the attitudes of lay citizens, local educators, and students not only toward the recommendations growing out of the study but also toward the problems of education in general. Members of the Utah State Board of Education received copies of the tentative reports of all study committees, and their suggestions helped to shape the direction of the study and determine the content of the final reports.

State education agency staff—As has been noted earlier, the state advisory committee appointed steering committees to coordinate the work of the study committees in two broad areas: (a) The education program and local school organization, and (b) state school organization, and economics and finance. Lerue Winget, Deputy Superintendent for Instruction Services, served as chairman of the first, and Walter D. Talbot, then Deputy Superintendent for Administration and now the State Superintendent, served as chairman of the latter committee. The state coordinator was a member of both committees.

Members of the state education agency staff were appointed executive secretaries for the nine study committees. In addition, four other staff members, including Superintendent Bell, served as members of the committees. Thus, 13 staff members played a major role in gathering and evaluating data, organizing the material, and making recommendations. Here again, there was an opportunity for the state staff to work cooperatively with representatives of the broader educational community as well as with lay citizens and students in bringing about a broader and deeper understanding of the problems involved in improving educational opportunities for Utah's citizens.

As the study committees worked, many state staff members who were not members of the committee assisted in gathering data, and, in some instances, writing first drafts of certain sections of the report. For example, each specialist in the Division of Elementary and Secondary education was asked to submit a description of the curriculum for his particular area which would be most effective in meeting the needs of the future.

The staff of the Division of Research and Innovation used the educational goals developed in the project as a basis for assisting schools or school districts in surveying their needs in curriculum development, and the entire staff of the Division of Special Educational Services was involved in the development of the material on continuing education, particularly as it related to the community school concept. Several of the staff also were involved with the development of the report on counseling services.

The Division of Teacher Personnel has implemented recommendations from the DEF report.

The Division of Instructional Media has adopted the policy of using the goals developed in the project as the basis of all media production. At the present time, the Division is producing materials being used in the Utah Instructional Systems Program which was an outgrowth of the project.

All members of the state education agency staff were kept informed of the nature and scope of the study and of the progress being made. As a study committee report was completed in tentative form, the executive secretary of the particular committee would distribute copies and discuss the reports in Instructional Division Staff meetings. Thus opportunity was provided for offering suggestions for the modifying and improving the reports as they were being developed.

Staff members who had particular skills in writing often assisted with editing the reports. Once the reports had been completed by the study committees, several of them were very carefully reviewed by the staff members in the state education agency divisions most vitally concerned. For example, staff members in the Division of Elementary and Secondary Education devoted three full staff meetings to the report on Emerging Goals of Education. In addition, nine subcommittees were appointed for the purpose of analyzing and improving each of the nine Tasks of Education developed by Utah in the project.

At the same time, other instructional divisions, particularly Vocational Education and Special Education Services, were asked to subject the nine Tasks of Education to the same careful scrutiny and make recommendations for change. The report of the Curriculum and Instruction Committee was given somewhat similar consideration by the Division of Elementary-Secondary Education.

Approximately 30 members of the state education agency staff participated in 1968-69 state regional conferences either as group leaders or as presenters. In the 1969-70 state regional conference, however, approximately 60 staff members were involved, not only as group leaders or presenters in the adult sections considering the reports related to organization and finance, but also as group leaders in the student "speak-ups" at the youth conferences.

Staff members with skills in graphic arts designed an attractive format. It was interesting to note the degree of analysis of content which the artists made as a basis for designing the format; as a result, they have become vitally interested in both the publication and the problems which education faces in the decades ahead. The same type of interest was evidenced among secretaries involved, most of whom have children in Utah public schools.

Any analysis of impact also must take into consideration the extent to which the materials developed in the project have been put to use. During the past year, the state education agency has become involved in writing behavioral objectives as a basis for developing measurable goals for the curriculum. At one of the first workshops conducted to train staff in writing goals, the nine Tasks of Education were analyzed by an out-of-state consultant and were considered sufficiently broad to serve as policy and program goals for the state's educational program. Staff members were then assisted in

developing curriculum and instructional goals that would implement the broader goals.

A short time prior to the initiation of the Designing Education for the Future project, the Adult Education Section of the Division of Special Educational Services became interested in the Mott Foundation Community School Program in Flint, Michigan. The concept of the community-centered school was further developed and recommendations were made by Utah's study committee on Continuing Education. When the Utah Board of Education took official action to cooperate with several local school districts in establishing community-centered school programs, it relied heavily upon the DEF recommendations as guidelines.

In March 1970, the semi-annual State Administrators Conference had as its theme "An Image of Self" which relates to Task VII, Item A (Tasks of Education): "Has analyzed himself in relation to such important questions as, Who am I? Where am I going? What should I become? What is the good life?" As a first step in implementing a division program based on the March 1970 Administrators Conference theme, the Division of Elementary and Secondary Education set humanizing education as the major thrust for the months ahead and accepted the Tasks of Education as the over-all policy and program objectives. Each staff member reviewed these tasks to determine those most directly related to the humanizing of his particular area of specialization. The four members of the Administrative Council of the Division—the administrator and three coordinators—were assigned the responsibility of proposing the additional steps required to achieve the ultimate goal. In addition, the interdepartmental committee which designed the Administrators Conference program has been charged with the responsibility of packaging the program for distribution to districts and other agencies

In the fall of 1969, tne Utah Board of Education appointed a representative committee to review the 1958 State Required Program of Studies to determine the extent to which it should be revised. After careful review, the committee recommended that for those secondary schools that chose to remain completely traditional in their approach to curriculum, instruction and organization, the 1958 State Required Program still was quite satisfactory. However, the committee did recommend that an entirely new approach was advisable in the State Required Program of Studies for Secondary Schools. This approach would completely disregard (a) the traditional course requirements such as English, American history, and health; (b) the amount of time spent in pursuing the subject; and (c) the amount of credit earned. The new approach would be based upon the acquisition of certain basic knowledge, skills, attitudes, and values developed by each student, the extent of mastery to be commensurate with the student's ability. The committee further recommended that the nine major Tasks of Education, together with the related student behaviors, serve as the general framework to guide the work of state, district, and school programs of studies and curriculum committees. The nine tasks were grouped under five major headings: career development, communicative arts, natural and exact science, social studies, and health and physical education. To graduate from high school, students would be expected to achieve a certain degree of competence in each major area.

The committee responsible for revising the *State Junior High School Accreditation Manual* adopted the Program of Studies Committee recommendation and developed the criteria for evaluating the subject areas in terms of the nine Tasks of Education and the related student behaviors.

State education agency organization and innovation—As an outgrowth of the studies and recommendations made during the Designing Education for the Future project and as the administering state for an interstate project entitled Comprehensive Planning in State Education Agencies, Utah has developed a comprehensive planning capability with the responsibility for the coordination of planning centered in a Planning Unit. The Unit defines the processes whereby questions of what, where, who, why, and how are answered. It designs matrices of objectives, people, money, time, procedures, etc. The Unit is involved almost exclusively in the planning or design phase of management rather than in the carrying out of planning, or the conducting of state programs or projects. Those people to be involved in these latter two stages (program personnel) are called upon by the Unit to assist it during the planning or design phase, and the program personnel in turn call upon the planners to assist them in improving the design as the program or project develops. As an example, the Planning Unit plans to see that evaluation is made but does not do the actual evaluating. Thus, it is not an operational unit and does not execute plans. However, there may be occasions when a planning model will be tested for feasibility by the Planning Unit.

Another development related to the project has been the organization of the Division of Research and Innovation. This Division has the major responsibility for research and development and for evaluation of all innovative programs. As most of the research and development projects are managed by local school districts, many of the activities of this Division concern providing assistance to districts in planning, managing, and evaluating worthwhile projects. The Division also provides technical assistance to the state education agency staff in developing innovative ideas into manageable projects and in developing defensible research designs for their innovative activities.

In the Designing Education for the Future project, one of the most significant innovative studies for school improvement has been the Utah Instructional Systems Program (UISP) begun in 1968. Approved by the Utah Board of Education, the project was started as a five-year effort to develop, on a pilot basis, a systems approach to education. Four elementary schools, one in each of four districts (Davis, Granite, Iron, and Provo) have been designated as "1980 schools." Emphasis is on individualized, continuous-progress educational programs through use of instructional resource centers and a new pattern of staff utilization involving teachers, aides, and specialists. Members of the state agency staff are helping the various school staffs plan and develop their programs. The fourth, fifth and sixth grades are currently in the program. Plans are to extend the program both downward and upward into other grades.

In addition to evaluating the usual educational objectives for elementary schools, UISP attempted to evaluate such elusive objectives as the pupil's positive attitude toward school, toward others, toward the community, toward learning, toward himself as a person, and toward himself as a learner. A

careful evaluation of the outcomes of the first year produced the following results: The UISP school pupils are doing as well as other pupils in all areas measured (academic areas) and are superior to other pupils in each of the special UISP objectives stated above. The program was combined with a larger project known as Utah Systems Approach for Individualized Learning (U-SAIL).

In cooperation with the project, a future-oriented study of vocational and technical education has been made. The study was planned, financed, and conducted by the Utah Office of Vocational and Technical Education. A state-wide conference was held to discuss the plans with school administrators, school-board members, vocational and technical advisors, and teachers of vocational education.

In Summary

During the project, it became increasingly evident that planning is a major responsibility of the Utah State Education Agency. Several organizational changes were made within the agency to effect this changing role. With a better planning capability, the Utah Board of Education and the state superintendent are prepared to provide more adequate leadership to meet the emerging education needs of Utah students.

Utah evidenced in many ways the conviction that human resources are the most valued assets and the belief that an educated, enlightened, and involved citizenry is the best safeguard to the state's well being. It is essential that the Utah State Education Agency be prepared to provide the leadership required to insure the kind and quality of education necessary for the future. This project has provided valuable goals, information, costs, timetables, priorities, and guidelines for effecting appropriate changes. The challenge rests with the Utah State Education Agency to utilize this input and, through long-range planning, to bring about the necessary improvements in education.

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